

# *Paying Taxes 2011*

## The global picture

*Using data collected from 183 economies, Paying Taxes enables a comparison of tax systems around the world as they impact business.*



THE WORLD BANK



**International  
Finance  
Corporation**  
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# Foreword

We are pleased to present the fifth edition of *Paying Taxes – the global picture*. This is a joint publication produced by the World Bank, the International Finance Corporation (IFC) and PwC. The study is based on data collected as part of the *Doing Business* project.

This is the most challenging time ever for paying taxes. The recent global downturn has changed the economic landscape significantly and in an unprecedented fashion. Governments in economies of all sizes and at all stages of development are struggling with the tax policy choices available to them. For companies, the challenge is dealing with the loss of public trust and increased scrutiny over how much tax they pay.

*Paying Taxes* looks at the impact of tax systems on business using a case study company, but it does not consider the costs for society as a whole nor the benefits that taxes provide. However, the wealth of data collected by the *Paying Taxes* project makes it unique. It covers 183 economies and enables an assessment of tax systems around the world from the point of view of business over a six year period. The data presented and the methodology used is unique to the project. The study looks beyond corporate income tax at all of the taxes and contributions mandated by government for our case study company, and considers their full impact on business in terms of both their tax cost and their compliance burden. Governments have consistently shown great interest in the results of this study, as it enables them to make comparisons with geographic neighbours and economic peer groups.

Many examples of how governments are using the study are included in this report. They show how *Paying Taxes* has helped to increase recognition of how governments are striving to improve their systems and embrace best practices, and how some are achieving results.

An important part of the *Doing Business* and *Paying Taxes* project is not only to present and discuss the results of the study, but also to ensure an active outreach programme of consultation with interested groups. This helps to develop and enhance the approach used. We hope that you continue to find the results interesting and useful, and look forward to receiving your feedback.

Taxes are essential to economic and social development. Business has a key role to play and it is important for governments, business and civil society to foster a new collaborative approach to meet the common aims of a fair, stable and sustainable tax system.



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*The recent global downturn has changed the economic landscape significantly and in an unprecedented fashion’*

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## *Key themes and findings*

“Taxes are the price you pay for civilisation.”\*  
Taxes provide government revenues, and those who pay them have a stake in the system and in how government spends its money. Taxes are a life blood of a stable and prosperous society.

In the wake of the global economic downturn levying tax is even more difficult. With large structural deficits in the big developed economies, fiscal policy has never been under so much public scrutiny. While there is a clear expectation that economies will need to raise taxes as well as making spending cuts, they will need to remain cautious in how they raise taxes to ensure that recovery is not stifled. For developing economies, with cuts in aid budgets, tax revenues may prove to be a more sustainable source of financing. But challenges remain in terms of combating capital flight, reducing the size of the informal economy and helping tax authorities to monitor compliance and collect taxes.

\* Oliver Wendell Holmes, US Supreme Court of Justice, 1904

*‘On average our case study company pays nearly half of its commercial profit in taxes, spends seven weeks dealing with its tax affairs and makes a tax payment every 12 days.’*

The findings presented in this report come from the analysis of the administrative burden and the tax cost of local firms based on the Paying Taxes methodology.

**What the data shows:**

On average our case study company pays nearly half of its commercial profit in taxes, spends seven weeks dealing with its tax affairs and makes a tax payment every 12 days.

**Paying taxes is easiest for business in high-income economies.** They have the lowest tax cost and the lowest administrative burden. These economies tend to have more mature tax systems, a lighter administrative touch and greater use of the electronic interface with tax authorities.

**Tax reform is still high on government agendas around the world.** Forty economies made it easier to pay taxes compared with 45 last year. Reducing rates of profit tax is still the most popular reform, but easing the compliance burden is equally important for business. There is potential for more focus on this area.

**Since the first study was carried out five years ago, tax reform has driven a downward trend in the results.** 60% of economies in the study have carried out tax reform during this time. For the economies which are included in both the 2006 and 2011 studies, the tax cost has fallen on average by 5.0%, the time needed to comply by a week, and the number of payments by almost four.

**The Total Tax Rate (TTR), time to comply and the number of payments have fallen most in Eastern European and Central Asian economies since the study began.** The lower TTR has been driven largely by lower rates of corporate income tax in some economies, but also by significant reductions in other taxes such as turnover tax. The number of payments has fallen due to decreases in actual payments as well as the impact of electronic filing and payment. This has also helped to drive down the time to comply.

**Certain practices have been effective in reducing the study results.** These include tax systems which have effective electronic filing and payment (60 economies currently do), those which have one tax per base (50 economies now have one tax per base rather than multiple taxes), and those which use a filing system based on self-assessment (74% of economies allow firms to calculate their own tax bills).

**Corporate income tax is only one of many taxes and is only part of the burden.** Our company pays more than nine different taxes on average around the world. In addition to corporate income tax, there are on average two labour taxes, a consumption tax, a property tax and four other taxes.

**Corporate income tax only accounts for only 12% of payments, 25% of the time to comply and 38% of the TTR.** Any reform agenda therefore needs to look beyond corporate income tax. Labour taxes and social contributions and other taxes add to the tax cost and compliance burden.

**The statutory rate of corporate income tax is not a good indicator of the amount of tax a company pays.** Generous tax allowances in some economies significantly reduce the corporate income tax paid, while in others, disallowances can increase the effective rate of corporate income tax.

**Value added tax is the predominant form of consumption tax used around the world.** It takes longer for our case study company to comply with its VAT affairs than it does to comply with corporate income tax. The time needed for VAT also varies considerably and is dependent on the administrative practices implemented in each economy.

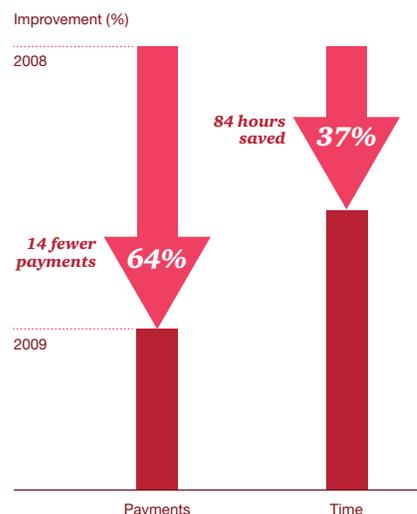
**Good tax administration is also important.** The approach of the tax authorities and dealing with tax audits and disputes are the aspects of the tax system that contributors around the world most want to improve.

# Paying Taxes: Findings of the World Bank and IFC's *Doing Business* 2011 report

For Carolina, who owns and manages a Colombian-based retail business, paying taxes has become easier in the past few years. In 2004 she had to make 69 payments of 13 different types of taxes and spend 57 days (456 hours), almost three months, to comply with tax regulations.<sup>1</sup> Today, thanks to new electronic systems to pay social security contributions, she needs to make only 20 payments and spend 26 days (208 hours) a year on the same task. But high tax rates mean that her firm still has to pay about 78.7% of profit in taxes. Juliana, the owner of a juice processing factory in Uganda, faces a different environment. She makes 32 payments cutting across 16 tax regimes and spends about 20 days (161 hours) a year on compliance. She has to pay only 35.7% of her profit in taxes. But that's not all. Recent evidence suggests that in dealing with government authorities, female-owned businesses in Uganda are forced to pay significantly more bribes and are at greater risk of harassment than male-owned businesses.<sup>2</sup>

Figure 1.1

Entrepreneurs in Tunisia benefit from e-system for paying taxes



Who improved the most in the ease of paying taxes?

1. Tunisia
2. Cape Verde
3. São Tomé and Príncipe
4. Canada
5. Macedonia, FYR
6. Bulgaria
7. China
8. Hungary
9. Taiwan, China
10. Netherlands

Source: *Doing Business* database

<sup>1</sup> Days refer to working days, calculated by assuming eight working hours a day. Months are calculated by assuming 20 working days a month.

<sup>2</sup> Ellis, Manuel and Blackden (2006).

Some economies treat women differently by law. Côte d'Ivoire is an example. There, married women can pay five times as much personal income tax as their husbands do on the same amount of income. Three other economies also impose higher taxes on women – Burkina Faso, Indonesia and Lebanon. But Israel, Korea and Singapore impose lower taxes on women, to encourage them to enter the workforce. Explicit gender bias in the tax law can affect women's decision to work in the formal sector and report their income for tax purposes.<sup>3</sup> Reforms that simplify tax administration and make it easier for everyone – individuals and firms – to pay taxes can also remove gender biases.

Taxes are essential. In most economies the tax system is the primary source of funding for a wide range of social and economic programmes. How much revenue these economies need to raise through taxes will depend on several factors, including the government's capacity to raise revenue in other ways, such as rents on natural resources. Besides paying for public goods and services, taxes also provide a means of redistributing income, including to children, the aged and the unemployed. But the level of tax rates needs to be carefully chosen. Recent firm surveys in 123 economies show that companies consider tax rates to be among the top four constraints to their business.<sup>4</sup> The economic and financial crisis has caused fiscal constraints for many economies, yet many are still choosing to lower tax rates on businesses. Seventeen reduced profit tax rates in 2009/10. Canada, Germany and Singapore implemented tax cuts in 2009 to help businesses cope with economic slowdown.<sup>5</sup>

Keeping tax rates at a reasonable level can be important for encouraging the development of the private sector and the formalisation of businesses. This is particularly relevant for small and medium-size enterprises, which contribute to job creation and growth but do not add significantly to tax revenue.<sup>6</sup> Taxation largely bypasses the informal sector, and overtaxing a shrinking formal sector leads to resentment and greater tax avoidance. Decisions on who to tax and what stage of a company's business cycle to tax can be influenced by many different factors that go beyond the scope of this study.



‘The economic and financial crisis has caused fiscal constraints for many economies, yet many are still choosing to lower tax rates on businesses’

<sup>3</sup> World Bank (2010b).

<sup>4</sup> Globally, companies ranked tax rates 4th among 16 obstacles to business in the World Bank Enterprise Surveys 2006 to 2009 (<http://www.enterprisesurveys.org>).

<sup>5</sup> Canada, as part of a plan to stimulate growth and restore confidence, reduced the general corporate tax rate to 19% as of 1 January 2009. In Germany a stimulus package adopted in November 2008 introduced declining balance depreciation at 25% for movable assets for two years and temporarily expanded special depreciation allowances for small and medium-size enterprises. A second stimulus package, approved in February 2009, provided further tax cuts. In January 2009 Singapore's Ministry of Finance announced a \$15 billion 'resilience package' to help businesses and workers and reduced corporate income tax rates from 18% to 17%.

<sup>6</sup> International Tax Dialogue (2007).

Tax revenue also depends on governments' administrative capacity to collect taxes and firms' willingness to comply. Compliance with tax laws is important to keep the system working for all and to support the programmes and services that improve lives. Keeping rules as simple and clear as possible is undoubtedly helpful to taxpayers. Overly complicated tax systems risk high evasion. High tax compliance costs are associated with larger informal sectors, more corruption and less investment. Economies with well-designed tax systems are able to help the growth of businesses and, ultimately, of overall investment and employment.<sup>7</sup>

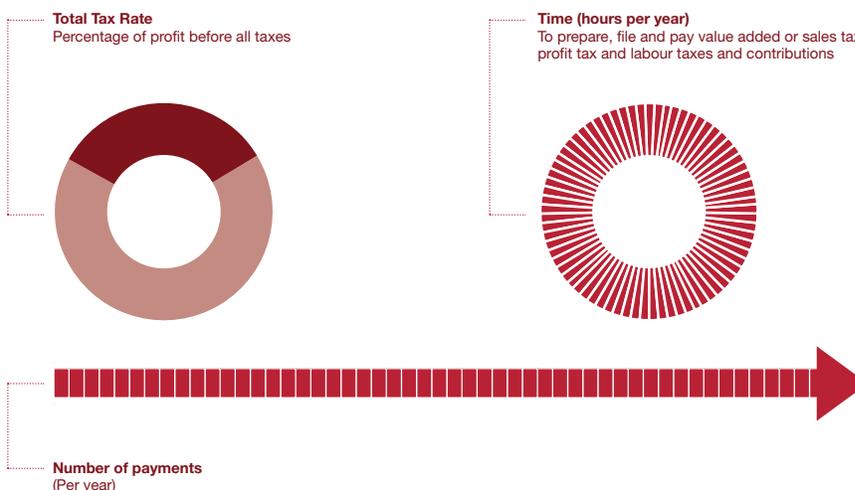
*Doing Business* addresses these concerns with three indicators: payments, time and the Total Tax Rate (TTR) borne by a standard firm with 60 employees in a given year. The number of payments indicator measures the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the way in which those payments are made. The time indicator captures the number of hours it takes to prepare, file and pay three major types of taxes: profit taxes, consumption taxes and labour taxes and mandatory contributions. The TTR measures the tax cost borne by the standard firm (figure 1.2).<sup>8</sup>

With these indicators, *Doing Business* compares tax systems and tracks tax reforms around the world from the perspective of local businesses, covering both the direct cost of taxes and the administrative burden of complying with them. It does not measure the fiscal health of economies, the macroeconomic conditions under which governments collect revenue or the provision of public services supported by taxation.

The top ten economies on the ease of paying taxes represent a range of revenue models, each with different implications for the tax burden of a domestic medium-size business (figure 1.3). The top ten include several economies that are small or resource rich. But these characteristics do not necessarily matter for the administrative burden or TTR faced by businesses (see box overleaf).

**Figure 1.2**

**What are the time, Total Tax Rate and number of payments necessary for a local medium-sized company to pay all taxes?**



**Figure 1.3**

**Where is paying taxes easy – and where not?**

| <b>Easiest</b>       | <b>Rank</b> | <b>Most difficult</b>    | <b>Rank</b> |
|----------------------|-------------|--------------------------|-------------|
| Maldives             | 1           | Jamaica                  | 174         |
| Qatar                | 2           | Panama                   | 175         |
| Hong Kong SAR, China | 3           | Gambia, The              | 176         |
| Singapore            | 4           | Bolivia                  | 177         |
| United Arab Emirates | 5           | Venezuela, RB            | 178         |
| Saudi Arabia         | 6           | Chad                     | 179         |
| Ireland              | 7           | Congo, Rep.              | 180         |
| Oman                 | 8           | Ukraine                  | 181         |
| Kuwait               | 9           | Central African Republic | 182         |
| Canada               | 10          | Belarus                  | 183         |

**Note:** Rankings are the average of the economy's rankings on the number of payments, time and Total Tax Rate. See Appendix 1 for details.

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

<sup>7</sup> Djankov and others (2010).

<sup>8</sup> The company has 60 employees and start-up capital of 102 times income per capita.

## Does an economy's size or resource wealth matter for the ease of paying taxes?

Some economies, especially small ones, rely on one or two sectors to generate most government revenue. This enables them to function with a narrower tax base than would be possible in larger, more diverse economies. Maldives and Kiribati, for example, choose to tax mainly hotels and tourism, sectors not captured by the *Doing Business* indicators, which focus on manufacturing. Other economies, such as Qatar, the United Arab Emirates, Saudi Arabia and Oman, are resource-rich economies that raise most public revenue through means other than taxation.

Among both resource-rich economies and small island developing states there is great variation in rankings on the ease of paying taxes (see figure 1.4).<sup>\*</sup> Differences in applicable tax rates account for some of the variation. But so do differences in the administrative burden. Among resource-rich economies the TTR ranges from as low as 11% of profit in Qatar to as high as 72% in Algeria. Among small economies the TTR averages around 38%. The administrative burden of paying taxes varies just as dramatically – being small or obtaining revenue from resources does not always make taxation administratively easy. To comply with profit, consumption and labour taxes can take as little as 12 hours a year in the United Arab Emirates and 58 in The Bahamas – and as much as 424 hours in São Tomé and Príncipe and 938 in Nigeria.

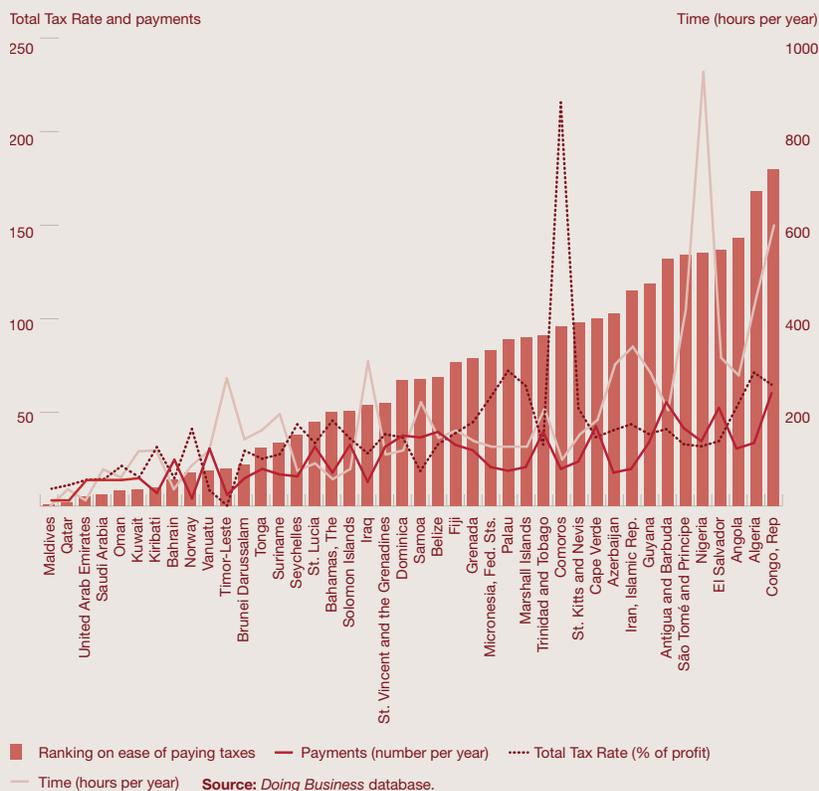
Also among the top ten, Hong Kong SAR (China), Singapore, Ireland and Canada apply a low tax cost, with TTRs averaging less than 30% of profit. They also stand out for their low administrative burdens. They levy up to nine different taxes on businesses, yet for a local business to comply with taxes takes only about one day a month and six payments. Electronic filing and payment and joint forms for multiple taxes are common practice among these four economies.

Tunisia, the economy that improved the ease of paying taxes the most in 2009/10, followed their example. It fully implemented electronic payment systems for corporate income tax and value added tax and broadened their use to most firms. The changes reduced the number of payments a year by 14 and compliance time by 84 hours.

Another 39 economies also made it easier for businesses to pay taxes in 2009/10.<sup>9</sup> Governments continued to lower tax rates, broaden the tax base and make compliance easier so as to reduce costs for firms and encourage job creation. As in previous years, the most popular measure was to reduce profit tax rates.

<sup>\*</sup> Resource-rich economies analysed are those where fiscal revenues from hydrocarbons and minerals account for more than 50% of the total (based on International Monetary Fund estimates).

**Figure 1.4**  
Tax rates and administrative burdens are not necessarily lower in small or resource-rich economies



<sup>9</sup> This year's report records all reforms with an impact on the paying taxes indicators between June 2009 and May 2010. Because the case study underlying the paying taxes indicators refers to the financial year ending 31 December 2009, reforms implemented between January 2010 and May 2010 are recorded in this year's report, but the impact will be reflected in the data in next year's report. See Appendix 3 for a summary of these reforms.

## What are the trends?

In the past six years more than 60% of the economies covered by *Doing Business* made paying taxes easier or lowered the tax burden for local enterprises (figure 1.5). Globally on average, firms spend 35 days (282 hours) a year complying with 30 tax payments. A comparison with global averages in 2004 shows that payments have been reduced by four and compliance time by five days (39 hours).<sup>10</sup> Companies in high-income economies have it easiest. On average, they spend 22 days (172 hours) on 15 tax payments a year. Businesses in low-income economies continue to face the highest administrative burden (figure 1.6). Globally on average, businesses pay 47.8% of commercial profit in taxes and mandatory contributions, 5.0 percentage points less than in 2004.

*‘Globally on average, firms spend 35 days (282 hours) a year complying with 30 tax payments and pay 47.8% of commercial profit in taxes and mandatory contributions.’*

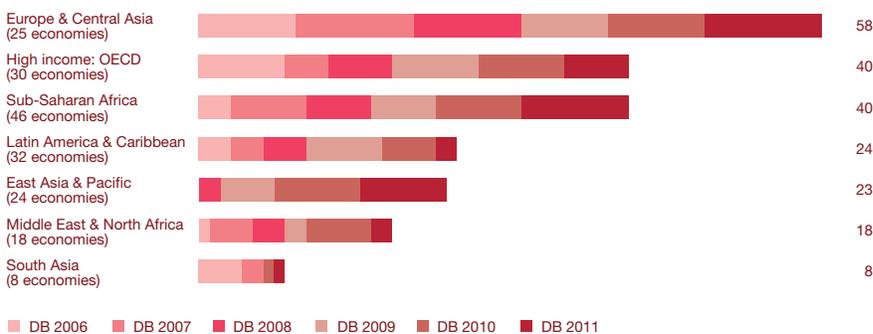
### Tax compliance becoming easier

Eleven economies in Eastern Europe and Central Asia simplified tax payment in the six years since 2004. Average compliance time for businesses fell by two working weeks as a result. The momentum for change started building in Bulgaria and Latvia in 2005 and swept across the region to Azerbaijan, Turkey and Uzbekistan in 2006, Belarus and Ukraine in 2007, the Kyrgyz Republic and FYR Macedonia in 2008 and Albania and Montenegro in 2009. But the administrative burden generally remains high. Five of the region’s economies rank among those with the highest number of payments globally (figure 1.7).

Figure 1.5

### Tax reforms implemented by more than 60% of economies in the past six years

Number of *Doing Business* reforms making it easier to pay taxes by *Doing Business* report year



Note: A *Doing Business* reform is counted as one reform per reforming economy per year. The data sample for DB2006 (2004) includes 174 economies. The sample for DB2011 (2009) also includes The Bahamas, Bahrain, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar, for a total of 183 economies.

Source: *Doing Business* database.

Figure 1.6

### Administrative burden lowest in high-income economies

| Income group | Payments (number per year) | Time (hours per year) | Total Tax Rate (% of profit) |
|--------------|----------------------------|-----------------------|------------------------------|
| Low          | 38                         | 295                   | 71.0                         |
| Lower middle | 33                         | 359                   | 40.3                         |
| Upper middle | 31                         | 272                   | 43.4                         |
| High         | 15                         | 172                   | 38.8                         |
| Average      | 30                         | 282                   | 47.8                         |

Source: *Doing Business* database.

Figure 1.7

### Who makes paying taxes easy and who does not-and where is the Total Tax Rate highest and lowest?

#### Payments (number per year)

| Fewest               | Most |               |     |
|----------------------|------|---------------|-----|
| Sweden               | 2    | Sri Lanka     | 62  |
| Hong Kong SAR, China | 3    | Côte d'Ivoire | 64  |
| Maldives             | 3    | Nicaragua     | 64  |
| Qatar                | 3    | Serbia        | 66  |
| Norway               | 4    | Venezuela, RB | 70  |
| Singapore            | 5    | Jamaica       | 72  |
| Mexico               | 6    | Montenegro    | 77  |
| Timor-Leste          | 6    | Belarus       | 82  |
| Kiribati             | 7    | Romania       | 113 |
| Mauritius            | 7    | Ukraine       | 135 |

Note: The indicator on payments is adjusted for the possibility of electronic or joint filing and payment when used by the majority of firms in an economy. See Appendix 1 for more details.

Source: *Doing Business* database.

<sup>10</sup> The comparison of global averages refers to the 174 economies included in *Doing Business* 2006. Additional economies were added in subsequent years.

**Figure 1.7 continued****Time (hours per year)****Fastest**

|                      |    |
|----------------------|----|
| Maldives             | 0  |
| United Arab Emirates | 12 |
| Bahrain              | 36 |
| Qatar                | 36 |
| Bahamas, The         | 58 |
| Luxembourg           | 59 |
| Oman                 | 62 |
| Switzerland          | 63 |
| Ireland              | 76 |
| Seychelles           | 76 |

**Time (hours per year)****Slowest**

|               |       |
|---------------|-------|
| Ukraine       | 657   |
| Senegal       | 666   |
| Mauritania    | 696   |
| Chad          | 732   |
| Belarus       | 798   |
| Venezuela, RB | 864   |
| Nigeria       | 938   |
| Vietnam       | 941   |
| Bolivia       | 1,080 |
| Brazil        | 2,600 |

**Total Tax Rate (% of profit)****Lowest**

|                      |      |
|----------------------|------|
| Timor-Leste          | 0.2  |
| Vanuatu              | 8.4  |
| Maldives             | 9.3  |
| Namibia              | 9.6  |
| Macedonia, FYR       | 10.6 |
| Qatar                | 11.3 |
| United Arab Emirates | 14.1 |
| Saudi Arabia         | 14.5 |
| Bahrain              | 15.0 |
| Georgia              | 15.3 |

**Total Tax Rate (% of profit)****Highest**

|                          |       |
|--------------------------|-------|
| Eritrea                  | 84.5  |
| Tajikistan               | 86.0  |
| Uzbekistan               | 95.6  |
| Argentina                | 108.2 |
| Burundi                  | 153.4 |
| Central African Republic | 203.8 |
| Comoros                  | 217.9 |
| Sierra Leone             | 235.6 |
| Gambia, The              | 292.3 |
| Congo, Dem. Rep.         | 339.7 |

**Note:** The indicator on payments is adjusted for the possibility of electronic or joint filing and payment when used by the majority of firms in an economy. See Appendix 1 for more details.

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

Some Sub-Saharan African economies also focused on easing tax compliance. In 2010 Sierra Leone introduced administrative reforms at the tax authority and replaced four different sales taxes with a value added tax. Seven other economies – Burkina Faso, Cameroon, Cape Verde, Ghana, Madagascar, South Africa and Sudan – reduced the number of payments by eliminating, merging or reducing the frequency of filings and payments. Mozambique, São Tomé and Príncipe, Sierra Leone, Sudan and Zambia revamped existing tax codes or enacted new ones in the past six years.

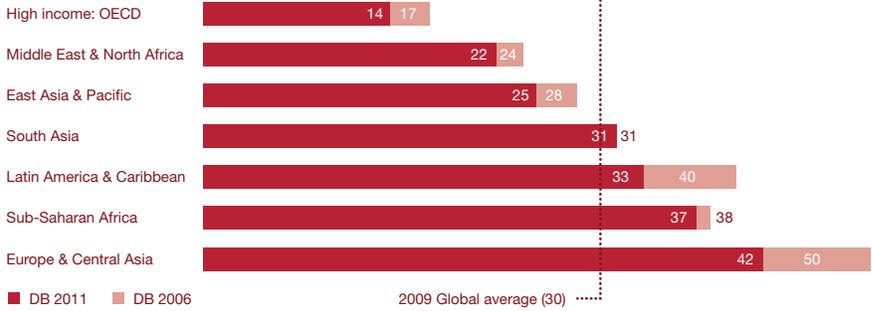
Firms in OECD high-income economies have the lowest administrative burden. Businesses in these economies spend on average 25 days a year complying with 14 tax payments. All but two, the Slovak Republic and Switzerland, have fully implemented electronic filing and payment for firms. Between 2006 and 2009 the Czech Republic, Finland, Greece, the Netherlands, Poland and Spain mandated or enhanced electronic filing or simplified the process of paying taxes, reducing compliance time by 13 days (101 hours) on average.

In the Middle East and North Africa, businesses must comply with only 22 payments a year on average, the second lowest among regions. Yet there is great variation, with up to 44 payments in the Republic of Yemen and as few as three payments in Qatar. In 2009/10 only two tax reforms were recorded, in Jordan and Tunisia.

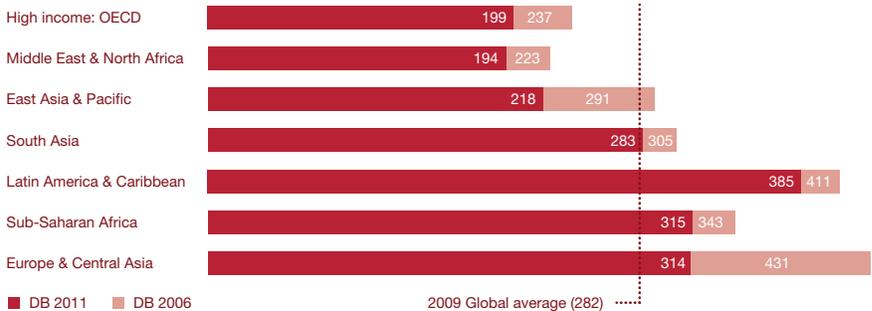
**Figure 1.8**

**Paying taxes easier in East Asia and the Pacific – Regional averages in paying taxes**

**Payments (number per year)**



**Time (hours per year)**



**Note:** A *Doing Business* reform is counted as one reform per reforming economy per year. The data sample for DB2006 (2004) includes 174 economies. The sample for DB2011 (2009) also includes The Bahamas, Bahrain, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar, for a total of 183 economies.  
**Source:** *Doing Business* database.

In Latin America and the Caribbean firms continue to spend substantial time paying taxes – 385 hours a year on average. They have to make an average of 33 payments a year (figure 1.8). Thankfully, many economies in the region have simplified the process of paying taxes since 2004, saving businesses an average of three days a year. Still, only 12 of the region’s 32 economies offer electronic filing and payment for firms. Colombia, the Dominican Republic, Guatemala, Honduras, Mexico and Peru have introduced online filing and payment systems since 2004, eliminating the need for 25 separate tax payments a year and reducing compliance time by 11 days (83 hours) on average. The boldest measures: since 2004 Colombia has reduced the number of payments by 49 and compliance time by 248 hours, the Dominican Republic has cut payments by 65 and time by 156 hours, and Mexico has reduced the number of payments by 21 and the time to comply with them by 148 hours. And these economies continue work to further reduce the administrative burden for firms.

Economies in East Asia and the Pacific have reduced compliance time since 2004 by about eight business days, the most after Eastern Europe and Central Asia. Most recently, Lao PDR consolidated the filings for business turnover tax and excise tax as well as personal income tax withholding in a single tax return. Businesses now spend 25 fewer days a year complying with tax laws. China unified accounting methods and expanded the use of electronic tax filing and payment systems in 2007, saving firms 368 hours and 26 payments a year. In 2008 and 2009 China unified criteria for corporate income tax deduction and shifted from a production-oriented value added system to a consumption-oriented one, saving firms another 106 hours a year. Brunei Darussalam, Malaysia, Taiwan (China) and Thailand introduced or enhanced electronic systems in the past six years.

In South Asia payments and compliance time changed little overall. In 2009/10 *Doing Business* recorded only one tax reform, in India, which abolished fringe benefit tax and enhanced electronic filing.

### TTRs becoming lower

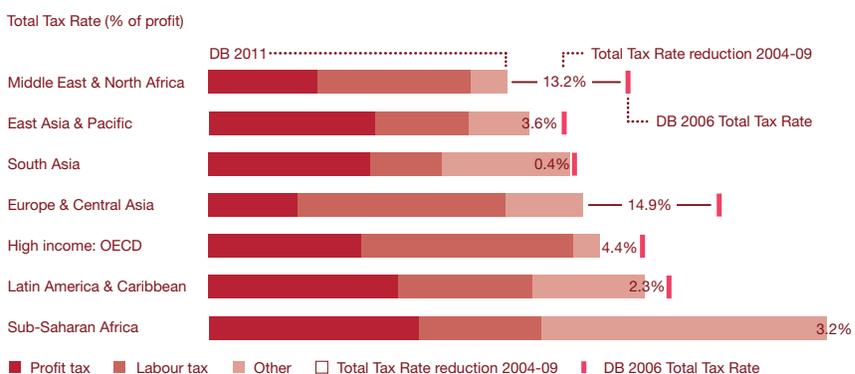
When considering the burden of taxes on business, it is important to look at all the taxes that companies pay. These may include labour taxes and mandatory contributions paid by employers, sales tax, property tax and other smaller taxes such as property transfer tax, dividend tax, capital gains tax, financial transactions tax, waste collection tax and vehicle and road tax. In seven economies around the world, taxes and mandatory contributions add up to more than 100% of profit, ranging from 108.2% to 339.7% (figure 1.7). *Doing Business* assumes that the standard firm in its tax case study has a fixed gross profit margin of 20%. Where the indicator shows that taxes exceed profit, the company has to earn a gross profit margin in excess of 20% to pay its taxes. Corporate income tax is only one of many taxes with which the company has to comply. The TTR for most economies is between 30% and 50% of profit.

Economies in Eastern Europe and Central Asia have implemented the most reforms affecting the paying taxes indicators since 2004, with 23 of the region's 25 economies implementing 58 such reforms. The most popular feature in the past six years was lowering profit tax rates (done by 19 economies). The changes reduced the average TTR in the region by 13.1 percentage points (figure 1.9).

In the past year, economies in Sub-Saharan Africa implemented a quarter of all reforms affecting the paying taxes indicators, a record for the region compared with previous years. In the past six years the most popular feature in the region was reducing profit tax rates (28 reforms). The reductions lowered the average TTR for the region by 2.7 percentage points. But profit tax, just one of many taxes for businesses in Africa, accounts for only a third of the total tax paid. Firms in the region still face the highest average TTR in the world, 68% of profit.

Figure 1.9

Eastern Europe and Central Asia has biggest reduction in Total Tax Rate – Total Tax Rate (% of profit)



Note: A *Doing Business* reform is counted as one reform per reforming economy per year. The data sample for DB2006 (2004) includes 174 economies. The sample for DB2011 (2009) also includes The Bahamas, Bahrain, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Montenegro and Qatar, for a total of 183 economies.  
Source: *Doing Business* database.

Firms in OECD high-income economies pay 43.0% of profit in taxes on average. Nineteen of these economies lowered profit tax rates in the past six years. And more changes are on the horizon. Australia, Finland and the United Kingdom have announced major reforms of their tax systems in the next few years.<sup>11</sup>

The average TTR in the Middle East and North Africa, at 32.8% of profit, is among the lowest in the world – thanks in part to tax reforms reducing it by 10.8 percentage points since 2004. Algeria, Djibouti, Egypt, Morocco, Syria, Tunisia, West Bank and Gaza and the Republic of Yemen have all lowered profit tax rates, abolished taxes or replaced cascading taxes.

The average TTR for Latin America and the Caribbean is the second highest, amounting to 48% of profit. Seven economies, including Mexico, Paraguay and Uruguay, reduced tax rates in the past six years, lowering the region's TTR by 2.3 percentage points.

<sup>11</sup> Australia intends to reduce the corporate income tax rate from 30% to 29% from 1 July 2013, and then to 28% from 1 July 2014. In Finland an initial proposal includes reducing the corporate income tax rate from 26% to 22% and increasing the standard value added tax rate of 22% by two percentage points. In the United Kingdom the emergency budget for 2010–11 calls for reducing the corporation tax rate to 27% for the 2011 financial year and then, through cuts over the next four years, to 24%. It also calls for reducing the small company tax rate to 20% and increasing the standard value added tax rate from 17.5% to 20%.

*‘Worldwide, economies that make paying taxes easy for domestic firms typically offer electronic systems for tax filing and payment, have one tax per tax base and use a filing system based on self-assessment. They also focus on lower tax rates accompanied by wider tax bases.’*

The TTR in East Asia and the Pacific is relatively low. At 35.4% of profit, it is the second lowest after that in the Middle East and North Africa. Still, 13 economies in the region reduced profit tax rates in the past six years, including China, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.

Few economies in South Asia have made changes affecting the paying taxes indicators since 2004. Afghanistan, Bangladesh, India and Pakistan reduced profit tax rates, but the reductions had little effect on region’s average TTR.

#### **What has worked?**

Worldwide, economies that make paying taxes easy for domestic firms typically offer electronic systems for tax filing and payment, have one tax per tax base and use a filing system based on self-assessment (figure 1.10). They also focus on lower tax rates accompanied by wider tax bases.

#### **Offering an electronic option**

Electronic filing and payment of taxes eliminates excessive paperwork and interaction with tax officers. Offered by 61 economies, this option can reduce the time businesses spend in complying with tax laws, increase tax compliance and reduce the cost of revenue administration. But this is possible only with effective implementation. Simple processes and high-quality security systems are needed.

In Tunisia, thanks to a now fully implemented electronic filing and payment system, businesses spend 37% less time complying with corporate income tax and value added tax. Azerbaijan introduced electronic systems and online payment for value added tax in 2007 and expanded them to property and land taxes in 2009. Belarus enhanced electronic filing and payment systems, reducing the compliance time for value added tax, corporate income tax and labour taxes by 14 days. The reverse happened in Uganda. There, compliance time has increased despite the introduction of an electronic system. Online forms were simply too complex.

#### **Keeping it simple: one tax base, one tax**

Multiple taxation – where the same tax base is subject to more than one tax treatment – makes efficient tax management challenging. It increases firms’ cost of doing business as well as the government’s cost of revenue administration and risks damaging investor confidence.

Fifty economies have one tax per tax base. Having more types of taxes requires more interaction between businesses and tax agencies. In Nigeria corporate income tax, education tax and information technology tax are all levied on a company’s taxable income. In New York City taxes are levied at the municipal, state and federal levels. Each is calculated on a different tax base, so businesses must do three different calculations.

**Figure 1.10**

#### **Good practices around the world in making it easy to pay taxes**

| Practice                               | Economies* | Examples  |
|--|------------|---|
| Allowing self-assessment               | 136        | Botswana, Georgia, India, Malaysia, Oman, Peru, United Kingdom                        |
| Allowing electronic filing and payment | 61         | Australia, Dominican Republic, India, Lithuania, Singapore, South Africa, Tunisia     |
| Having one tax per tax base            | 50         | Afghanistan, Hong Kong SAR (China), FYR Macedonia, Morocco, Namibia, Paraguay, Sweden |

\*Among 183 economies surveyed  
Source: *Doing Business* database.

This is no longer the case in Ontario. The Canadian province harmonised its corporate income tax base with the federal one. And the Canada Revenue Agency now administers Ontario's corporate capital tax and corporate minimum tax. Starting with the 2009 tax year, Ontario businesses have been able to make combined payments and file a single corporate tax return.

Brazil also aims to simplify a system that requires businesses to interact with three levels of government. In 2010 it introduced a new system of digital bookkeeping (Sistema Público de Escrituração Digital, or SPED) to integrate federal, state and municipal tax agencies. The successful implementation of SPED will ease the administrative burden of complying with taxes in Brazil by reducing the number of tax payments and possibly the time for compliance.

### Trusting the taxpayer

Voluntary compliance and self-assessment have become a popular way to efficiently administer a country's tax system. Taxpayers are expected and trusted to determine their own liability under the law and pay the correct amount. With high rates of voluntary compliance, administrative costs are much lower and so is the burden of compliance actions.<sup>12</sup> Self-assessment systems also reduce the discretionary powers of tax officials and opportunities for corruption.<sup>13</sup> To be effective, however, self-assessment needs to be properly introduced and implemented, with transparent rules, penalties for noncompliance and established audit processes.

Of the 183 economies covered by *Doing Business*, 74% allow firms to calculate their own tax bills and file the returns. These include all economies in Eastern Europe and Central Asia and almost two-thirds in East Asia and the Pacific, the Middle East and North Africa and South Asia. Both taxpayers and revenue authorities can benefit. Malaysia shifted to a self-assessment system for businesses in stages starting in 2001. Taxpayer compliance increased, and so did revenue collection.<sup>14</sup>

**Figure 1.11**

#### Major cuts in corporate income tax rates in 2009/10

| Region                        | Reduction in corporate income tax rate (%)             | Year effective |
|-------------------------------|--|----------------|
| Sub-Saharan Africa            | Burkina Faso from 30 to 27.5                           | 2010           |
|                               | Republic of Congo from 38 to 36                        | 2010           |
|                               | Madagascar from 25 to 23                               | 2010           |
|                               | Niger from 35 to 30                                    | 2010           |
|                               | São Tomé and Príncipe from 30 to 25                    | 2009           |
|                               | Seychelles from progressive 0–40 to 25–33              | 2010           |
| Eastern Europe & Central Asia | Zimbabwe from 30 to 25                                 | 2010           |
|                               | Azerbaijan from 22 to 20                               | 2010           |
|                               | Lithuania from 20 to 15                                | 2010           |
|                               | FYR Macedonia from 10 to 0 (for undistributed profits) | 2009           |
| East Asia & Pacific           | Tajikistan from 25 to 15                               | 2009           |
|                               | Brunei Darussalam from 23.5 to 22                      | 2010           |
|                               | Indonesia from 28 to 25                                | 2009           |
|                               | Taiwan (China) from 25 to 17                           | 2010           |
| Latin America & Caribbean     | Tonga from progressive 15–30 to 25                     | 2009           |
|                               | Panama from 30 to 25                                   | 2010           |

Source: *Doing Business* database.

**Figure 1.12**

#### Who made paying taxes easier and lowered the tax burden in 2009/10 – and what did they do?

|                         | Feature  | Economies  | Some highlights   |
|-------------------------|--|--|---|
| Easing compliance       | Merged or eliminated taxes other than profit tax         | Belarus, Bosnia and Herzegovina, Burkina Faso, Cape Verde, Hong Kong SAR (China), Hungary, India, Jordan, Montenegro, Slovenia, República Bolivariana de Venezuela   | Cape Verde eliminated all stamp duties.   |
|                         | Simplified tax compliance process                        | Azerbaijan, Belarus, Canada, China, Czech Republic, FYR Macedonia, Montenegro, Netherlands, Sierra Leone, Taiwan (China), Ukraine, Zimbabwe  | The Netherlands made value added tax filings and payments quarterly and eased profit tax calculations. Belarus changed from monthly to quarterly payments for several taxes.                    |
|                         | Introduced or enhanced electronic systems                | Albania, Azerbaijan, Belarus, Brunei Darussalam, India, Jordan, Tunisia, Ukraine   | A big increase in online filing in Azerbaijan reduced the time for filing and the number of payments.   |
| Reducing tax rates      | Reduced profit tax rate by two percentage points or more | Azerbaijan, Brunei Darussalam, Burkina Faso, Republic of Congo, Indonesia, Lithuania, FYR Macedonia, Madagascar, Niger, Panama, São Tomé and Príncipe, Seychelles, Taiwan (China), Tajikistan, Thailand, Tonga, Zimbabwe | Burkina Faso reduced the profit tax rate from 30% to 27.5% and merged 3 taxes. Niger lowered the rate from 35% to 30%. Lithuania reversed an increase (from 15% to 20%) made the previous year. |
|                         | Reduced labour taxes and mandatory contributions         | Albania, Bosnia and Herzegovina, Bulgaria, Canada, Hungary, Moldova, Portugal  | Hungary reduced employers' social security contribution rate from 29% of gross salaries to 26%.   |
| Introducing new systems | Introduced new or substantially revised tax law          | Azerbaijan, Belarus, Hungary, Jordan, Panama, Portugal, São Tomé and Príncipe  | Jordan's new tax law abolished certain taxes and reduced rates.   |
|                         | Introduced change in cascading sales tax                 | Burundi, Lao PDR, Sierra Leone   | Burundi introduced a value added tax in place of its transactions tax.  |

Source: *Doing Business* database.

<sup>12</sup> Ricard (2008).

<sup>13</sup> Imam and Davina (2007).

<sup>14</sup> bin Haji Ridzuan (2006).

## Some of the results

Franklin D. Roosevelt once said, “Taxes, after all, are the dues that we pay for the privileges of membership in an organised society.”<sup>15</sup> There is no doubt about the need for and benefits of taxation. But how economies approach taxation for small and medium-size businesses varies substantially. One hundred and fifteen economies made their business tax systems more efficient and effective in the past six years – and have seen concrete results.

## Easier process, more revenue

Colombia introduced a new electronic system, PILA, that unified in one online payment all contributions to social security, the welfare security system and labour risk insurance. Its use became mandatory for all companies in 2007. By 2008 the number of companies registered to pay contributions through PILA had increased by 55%. The social security contributions collected that year from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius implemented a major tax reform in 2006. It reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances, such as its investment allowance and tax holidays for manufacturing. Authorities aimed to increase revenue by combining a low tax rate, a transparent system, a reinforced tax administration and efficient collection – and they did. In the 2007/08 fiscal year corporate income tax revenue grew by 27%, and in 2008/09 it increased by 65%.

FYR Macedonia has implemented major tax reforms for the past several years in a row. In 2007 it introduced a new electronic tax service. In 2008 it amended the tax law to cut the profit tax rate from 15% to 10%. In 2009 it implemented a new, clearer Law on Contributions for Mandatory Social Security – and imposed the corporate income tax only on distributed profits. Despite the global downturn, the number of companies registered as taxpayers in FYR Macedonia increased by 16% between 2008 and 2009.

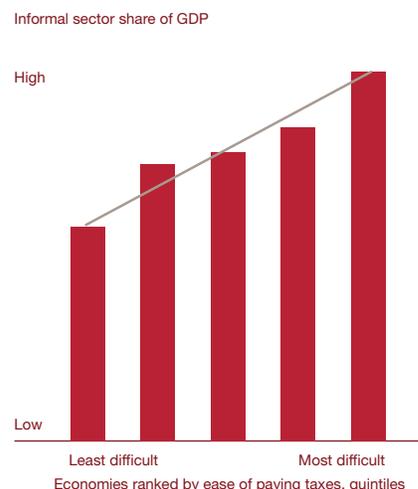
In an effort to stimulate economic growth and create a more business-friendly environment, Korea reduced the corporate income tax rate from 25% to 22% in 2009 and plans to reduce it even further in future years. The revenue collected by the government in 2009 did not fall. Instead, the number of companies registered for corporate income tax increased by 7% – and the corporate income tax revenue by 11%.

## The value for business

These results illustrate some of the benefits of more effective tax systems and appropriate tax rates. Recent research has found that in developing economies, where many firms are likely to be small and heavily involved in informal activity, reducing profit tax rates helps reduce informality and raise tax compliance, increasing growth and revenue.<sup>16</sup>

Figure 1.13

Size of informal sector is associated with ease of paying taxes



Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita. Source: *Doing Business* database; Schneider and Buehn (2009).

<sup>15</sup> Address delivered at Worcester, Mass., October 21, 1936. John T. Woolley and Gerhard Peters, The American Presidency Project, <http://www.presidency.ucsb.edu/>.

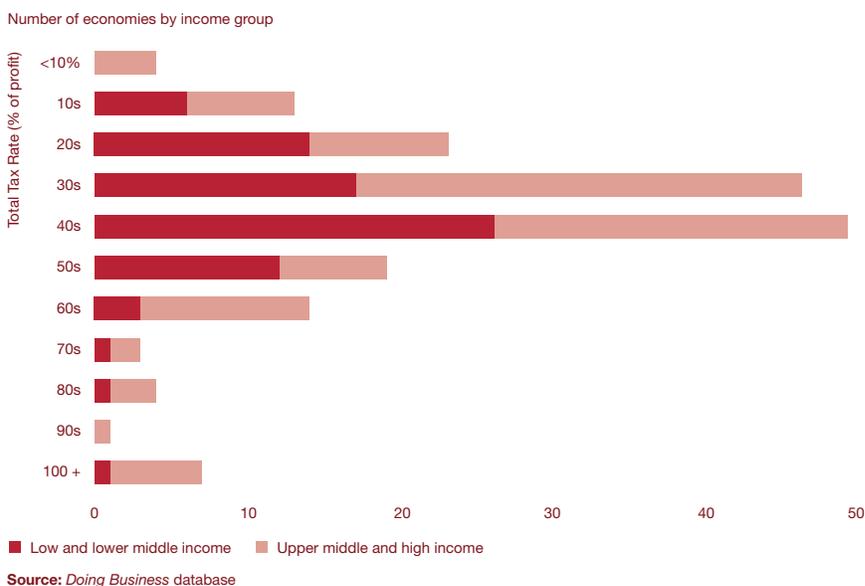
<sup>16</sup> Hibbs and Piculescu (2010).

The size of the informal sector, which in many developing economies accounts for as much as half of GDP, can significantly affect the tax revenue collected as a percentage of GDP.<sup>17</sup>

But the reverse is also true: the structure of the tax system and the perception of the quality of government services can affect the size of the informal sector in a country. Larger informal sectors as well as greater corruption are found where the majority of firms perceive taxes as not ‘worth paying’ because of low-quality public goods and poor infrastructure. This view is supported by a recent survey of business and law students in Guatemala. Most participants believed that tax evasion was ethical where tax systems are unfair or corrupt and where government commits human rights abuses.<sup>18</sup> *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity (figure 1.13).

Sensitivity to tax reforms is affected by firm size. Large firms are usually more directly affected by changes. But small firms have a higher tendency to be unregistered if tax rates are high, and tend to under-report income and size if higher incomes and bigger firms are taxed at a higher rate.<sup>19</sup> In Côte d’Ivoire, where firms must pay 44% of profit and make more than 64 payments a year to comply with 14 different taxes, a recent study finds that firms avoid growing in order to pay less tax.<sup>20</sup>

**Figure 1.14**  
**Total Tax Rates between 30% and 50% are most common**



<sup>17</sup> Gordon and Li (2009).

<sup>18</sup> McGee and Lingle (2008).

<sup>19</sup> OECD (2008).

<sup>20</sup> Klapper and Richmond (2010).

## ***A fair, stable and sustainable tax system – the challenge for governments in the wake of the global economic downturn.***

### **A PwC commentary on the results**

Paying tax is important. Taxes provide government revenues and those who pay them have a stake in the system and in how government spends its money. Taxes are a life blood of a stable and prosperous society. In the words of Oliver Wendell Holmes, US Supreme Court of Justice, in 1904, “Taxes are the price you pay for civilisation”.

But levying taxes is not an easy task for government, especially in the wake of a global economic downturn. With big structural deficits, particularly in the large developed economies, fiscal policy has never been under so much public scrutiny as it is today. There is a clear expectation that governments in many economies will need to raise taxes as well as make spending cuts. But they will need to remain cautious in how they raise taxes to ensure that recovery is not stifled and that the tax system supports business investment, economic growth and social well-being. Higher taxes should flow through to a stable business environment, good infrastructure and better quality of life for citizens.

As a result of the downturn, the focus on the role that tax can play in international development has increased. With cuts in aid budgets, it is clear that tax revenues are a more sustainable source of financing for developing countries than debt or aid. But there are many challenges to tackle in increasing tax revenues in developing countries, including combating capital flight from these countries, reducing the size of their informal economies and helping their tax authorities to monitor compliance and collect the taxes due. The Paying Taxes study results show that tax rates tend to be higher and the compliance burden heavier in the developing world. Reducing tax rates, broadening the base and making it easy to pay, can be important in encouraging local business to register and pay tax.

The Paying Taxes study looks at tax systems from the business perspective. Business plays an essential role in contributing to economic growth and prosperity by employing workers, improving the skills and knowledge base, buying from local suppliers and providing affordable products that improve people’s lives. Business also pays and generates many taxes. As well as corporate income tax on profits, these include employment taxes, social contributions, indirect taxes and property taxes. Therefore, the impact that tax systems have on business is important.

This is the sixth year of the Paying Taxes study. Throughout these years, tax reform has been high on the agenda of governments around the world. The World Bank and IFC have shown that 115 of the 183 economies in the study made significant tax reforms to make paying taxes easier during this time, and the rate of change has not lessened since the downturn. Forty economies made significant reforms in the last year. The most popular reform continues to be reducing the statutory rate of corporate income tax and this has flowed through to a lower tax cost. There has also been a focus on easing the compliance burden and making it easier to pay taxes. The Paying Taxes results show that different administrative practices used by government play a key role in lowering or increasing the compliance burden. We continue to suggest that this area should receive even more attention in the future as more efficient tax collection benefits both government and business.

### ***Why the Paying Taxes study is important***

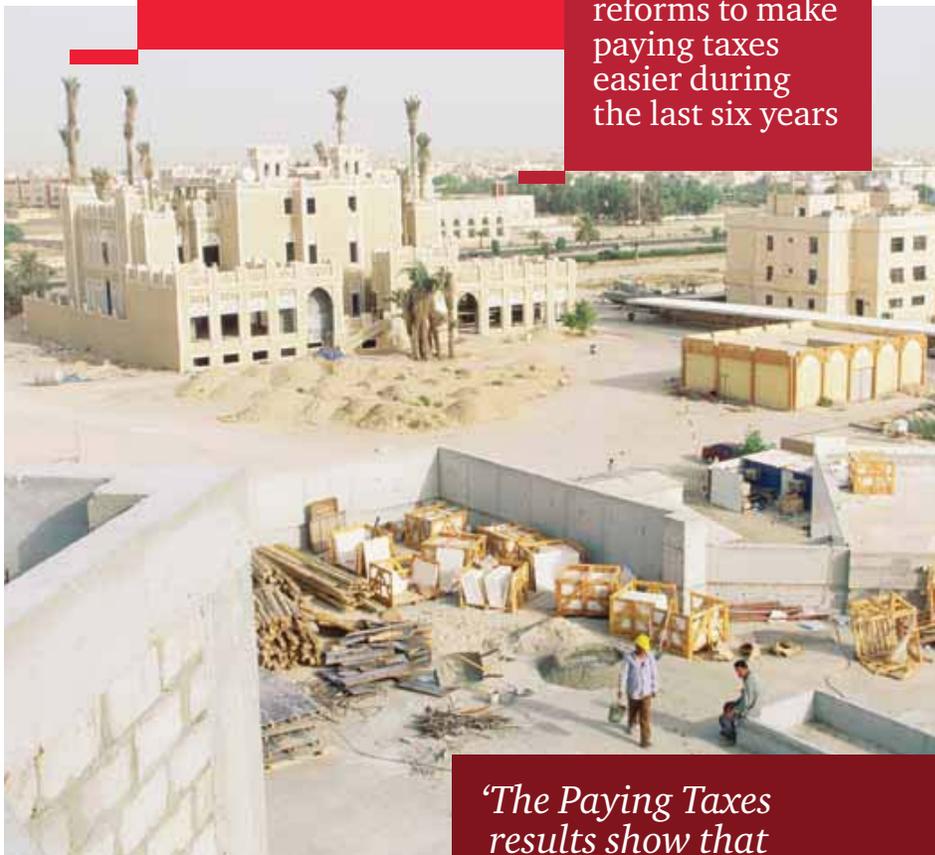
Paying Taxes uses a domestic medium-size case study company to measure the impact on business of tax systems around the world. The purpose is to provide quantitative data to stimulate and inform discussion on tax policy and tax administration and to inspire tax reform. The Paying Taxes results enable governments to benchmark their tax system with others on a like-for-like basis and to identify best practices.

The use of a case study company with a standard fact pattern brings some limitations. The size of the company may be considered larger in some economies, and modest in others. This could affect how it is taxed in economies with special regimes for small and medium-sized enterprises. The location of the company is in the most populous city which tends to be expensive from a tax perspective. The type of business may have an impact as additional taxes or incentives are often available for specified activities. Also, the fact that Paying Taxes addresses only certain aspects of tax administration and not others (e.g. the approach of the tax authority) could be considered limiting.

# 40

economies made significant reforms in the last year

115 of the 183 economies in the study made significant tax reforms to make paying taxes easier during the last six years



*'The Paying Taxes results show that different administrative practices used by government play a key role in lowering or increasing the compliance burden'*

This study is unique for a number of reasons including the large number of economies included, the breadth of the taxes covered, the business perspective, and the richness of the bank of data produced. Two recently published research papers illustrate the richness of the data. A paper called, ‘The effect of corporate taxes on investment and entrepreneurship’<sup>21</sup>, published in the American Economic Journal uses data from the study to show the impact of higher corporate income tax rates on business start-up and investment. And PwC’s report, ‘The impact of VAT compliance on business’<sup>22</sup>, shows how administrative practices in the economies with a value added sales tax system affects the VAT compliance burden.

*‘The Paying Taxes study measures three separate aspects of paying taxes. Two of these relate to the tax compliance burden and one to the tax cost’*

The Paying Taxes study measures three separate aspects of paying taxes. Two of these relate to the tax compliance burden and one to the tax cost. All three are equally weighted to arrive at an overall ranking. It is important to look at each sub-indicator separately, as each measures a different aspect of the tax system, generating important findings that are not necessarily revealed in the overall ranking. In addition, there may be no correlation between the results for each sub-indicator. For example, Sweden is an economy which has a high TTR ranking (146), but a low ranking for the time to comply (30). Taxes are high in Sweden, providing for high quality social services and a good standard of living for citizens. But it is easy to pay taxes in Sweden resulting in less compliance time and also fewer tax payments.

The Paying Taxes study gives a ranking to each economy, both for the overall ease of paying taxes and for each sub-indicator. This is useful because it enables each economy to see where it stands within its peer group. But, we suggest that it is most important to understand the data behind the ranking for each economy by looking at its actual results and what drives them. In our experience, this is the most valuable use of the study results. It is also important to recognise that the economies with the top global rankings are not necessarily the best models for what might be considered to be a good tax system. In *Paying Taxes 2011*, there are five oil-rich states in the top ten which raise their revenues from these natural resources, as well as a small island state which does not tax the profits of the case study company. But the others include a G20 economy (Canada) and three economies which have successfully followed a policy of low corporate taxes to stimulate business investment (Hong Kong, Singapore and Ireland). Our experience is that governments use the Paying Taxes results to benchmark their tax systems against neighbouring countries, or their economic peers. For example, Italy might benchmark primarily across the EU countries and Brazil against its neighbours, including Argentina, Chile, Peru and Bolivia. This section of the study therefore explores the results from a number of different regional, economic and income groupings to show how the data can be presented in ways which may be considered of most relevance.

<sup>21</sup> ‘The Effect of Corporate Taxes on Investment and Entrepreneurship’ by Simeon Djankov, Tim Ganser, Caralee McLeish, Rita Ramalho and Andrei Shleifer – American Economic Journal: Macroeconomics 2 (July) 2010:31-64

<sup>22</sup> ‘The impact of VAT compliance on business’ by Susan Symons, Neville Howlett, Katia Ramirez Alcantara of PwC UK – September 2010 - [http://www.pwc.co.uk/pdf/PwC\\_VAT\\_Compliance\\_survey\\_2010.pdf](http://www.pwc.co.uk/pdf/PwC_VAT_Compliance_survey_2010.pdf)



*'Every year the Paying Taxes results generate great interest and are discussed with governments, business and other stakeholders around the world'*

Every year the Paying Taxes results generate great interest and are discussed with governments, business and other stakeholders around the world. In Chapter 3, we provide feedback from a number of countries showing how the results are being used. For example, in Malaysia in 2007, a special task force called PEMUDAH was established, reporting directly to the Prime Minister, to look at all the World Bank *Doing Business* indicators. This task force is made up of individuals from both the private and public sectors and comprises focus groups responsible for each of the indicators. They look at processes and procedures to improve the way government regulates business with a view to improving the business environment, competitiveness and efficiency.

After last year's Paying Taxes launch in Kuala Lumpur, the focus group for Paying Taxes met with representatives from the World Bank, IFC and PwC to discuss the methodology. The planned introduction of a new Goods and Services Tax was also discussed, noting that the way in which it's introduced could have major implications for the compliance burden on business. The message? Keep it simple. See page 65 for further discussion of how the results are being used in Malaysia.

The Czech Republic is another good example which shows how Paying Taxes has encouraged debate around tax reform and resulted in concrete actions being taken. The Deputy Minister of Finance, Mr Peter Chrenko, took part in the Paying Taxes launch in Prague last year. He spoke about how Paying Taxes is used by government to benchmark their tax system against others in Central Europe and elsewhere to help identify useful change (see page 60). A new tax administration act will come into force in the Czech Republic on 1 January 2011.

# Using the Paying Taxes data.

## The effect of corporate taxes on investment and entrepreneurship

In their research recently published in the *American Economic Journal: Macroeconomics*, Andrei Shleifer and co-authors from the Paying Taxes team have used Paying Taxes data, along with data collected from national statistics offices and from the World Bank Entrepreneurship surveys, to present some results which show the relationships between corporate income taxes, investment and entrepreneurship.

The paper uses data from 85 economies and covers a large cross section of developed and developing countries from across the world's regions. It includes 27 high-income economies, 19 upper middle-income economies, 21 lower middle-income economies and 18 low-income economies.

What differentiates this paper from other studies is that it looks at the effective tax rate for corporate income tax (i.e. the actual corporate income tax paid by the case study company in relation to its pre-tax profits) rather than the statutory tax rate.

There are several significant conclusions from the paper:

- There is a consistent and large adverse effect of corporate income tax on corporate investment. The data shows that a 10% increase in the effective corporate tax rate reduces the aggregate investment to gross domestic product ratio by 2.2 percentage points (the average investment rate is 21%), and Foreign Direct Investment by 2.3 percentage points (the average FDI rate is 3.6%).
- There is a consistent and large adverse effect of corporate income tax on entrepreneurial activity. The data shows that a 10% increase in the effective corporate tax rate reduces the 'entry rate' (the number of limited liability company registrations) by 1.4 percentage points (the mean official entry rate is 8%). It also reduces 'business density' (the number of limited liability corporations legally registered divided by the working age population) by 1.9 firms per hundred people (the average per hundred people is five).
- Higher effective corporate income tax rates are associated with large informal sectors. The data shows that a 10% increase in the effective corporate tax rate raises the informal economy as a share of economic activity by nearly two percentage points.
- The data suggests a large positive association between the effective corporate tax rate and the aggregate debt to equity ratio. A 10% increase in the effective corporate tax rate raises the debt to equity ratio by 40 percentage points (the mean debt to equity ratio is 111%).

American Economic Journal:  
Macroeconomics 2 (July 2010):31-64  
<http://www.aeweb.org/articles.php?doi=10.1257/mac.2.3.31>

# The cost of tax for business rises in an economic downturn

The Paying Taxes study uses the PwC Total Tax Contribution (TTC) methodology to calculate the cost of all taxes borne by business (the Total Tax Rate - TTR). We use the same methodology in our TTC studies with real companies around the world. The results from these studies reflect the changes in the economic cycle and the companies' profitability, as well as changes in the tax system. In the Paying Taxes study, the case study company has a fixed profit margin of 20%, regardless of the global economic downturn. In reality, companies have found their profitability shrinking, and that the cost of taxes has risen.

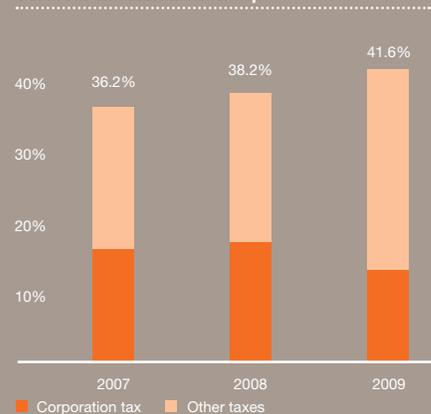
PwC UK carries out an annual TTC study with the largest listed companies (FTSE 100) in conjunction with The Hundred Group of Finance Directors. The last three studies (covering tax payments in 2007, 2008 and 2009) have shown a drop in these companies' profits following the financial crisis and the UK economy's decline into recession. Corporate income tax payments have fallen too, in line with profits, but payments of other taxes borne (including employers' social contributions, property taxes and other taxes) have not. The result is that the cost of taxes in relation to commercial profitability (the TTR) has increased in the downturn.

The first chart shows how the average TTR for members of The Hundred Group has increased during the UK recession. In 2009, the TTR for a real large company (41.6%), is considerably higher than for the smaller, profitable case study company in Paying Taxes (37.3%).

The second chart shows that the size of The Hundred Group's TTC, both in absolute amount and as a proportion of total government tax receipts, has however been maintained. In 2008, total taxes borne and collected were £66.5bn amounting to 12.9% of government tax receipts. In 2009, these figures rose to £66.6bn and 13.1%. This shows that the largest companies in the UK continue to contribute a significant proportion of the country's overall tax receipts, despite the recession.

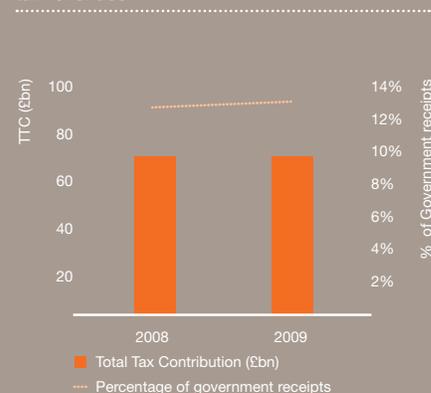
The latest (2009) study results are available at [www.pwc.co.uk/ttc](http://www.pwc.co.uk/ttc)

**TTRs for the Hundred Group**



**Note:** Chart shows the average TTR for members of The Hundred Group participants in the TTC studies.  
**Source:** PwC UK 2009 TTC study for The Hundred Group of Finance Directors

**The contribution of the Hundred Group to UK tax revenues**



**Note:** Chart shows the TTC of The Hundred Group as a whole, both as an absolute amount and as a percentage of government revenues.  
**Source:** PwC UK 2009 TTC study for The Hundred Group of Finance Directors

## The Paying Taxes results

Figure 2.1 sets out the global average result for each of the sub-indicators analysed by type of tax. It also includes the range of results. The case study company (TaxpayerCo) has a global average Total Tax Rate (TTR) of 47.8%, needs 282 hours to comply with its tax affairs, and makes 29.9 tax payments. Further analysis of regional and individual economy results is set out below.

Profit taxes have fallen on average by 1.6% as governments around the world have reduced the statutory rate of corporate income tax to stimulate business investment and growth. The World Bank and IFC have tracked tax reform showing that 90 economies have made significant rate reductions since the study began. This has continued despite the recession with 37 economies reducing the rate and only five increasing rates in the last two years (*Paying Taxes 2010 and 2011*). Rates of labour tax and social contribution have fallen in 36 economies over the five year period, contributing to the average fall of 1.5%. The biggest fall of 2.8% is for other taxes including consumption taxes. In addition to rate reductions, the elimination of taxes by 37 economies and the introduction of VAT type sales taxes in 13 economies has contributed to this.

*‘Profit taxes have fallen on average by 1.6% as governments around the world have reduced the statutory rate of corporate income tax to stimulate business investment and growth’*

In the years that the Paying Taxes study has been carried out, tax reforms around the world have driven a downward trend in the results. Figure 2.2 compares the global average results with those measured in the first study five years ago (*Paying Taxes 2006*). The average TTR has fallen by 5.9% (or more than 1% each year), the time to comply by 47 hours (or more than nine hours a year) and the number of payments by almost four. There are reductions in all types of taxes across all three sub-indicators.

The time to comply has fallen by over a week, driven by reforms in tax administration. Again, there have been reductions in the time needed for each of the three major taxes. Elimination of multiple taxes per base (50 economies now have one tax per base), simplified processes for paying taxes (40 economies) and revised tax codes (32 economies) have contributed to the reduced time.

The fall in the number of payments reflects the positive impact of electronic pay and file systems. Today, 61 economies benefit from this facility compared to 44 economies six years ago.

Chapter 3 contains articles from some economies which discuss and highlight how their results have changed since the study began.

### Corporate income tax is only part of the burden of taxes

A consistent message from the Paying Taxes study is that corporate income tax<sup>24</sup> is only part of the tax burden on business. When considering tax reform, it is important that governments take into account all of the taxes that companies pay. This year's data supports this message once again. Figure 2.3 shows that on average, for all 183 economies in the study, corporate income tax accounts for 12% of the tax payments made by the case study company, 25% of the compliance time, and 38% of the tax cost (TTR). These three percentages have hardly moved over the last five years. In *Paying Taxes 2006*, corporate income tax made up 12% of the tax payments, 26% of the compliance time and 37% of the TTR.

### 'When considering tax reform, it is important that governments take into account all of the taxes that companies pay'

Figure 2.4 shows how all the different taxes paid contribute to the results for an economy, using Zambia as an example. In Zambia, TaxpayerCo pays nine different taxes. Pension contributions (5.6%) and workers compensation (4.8%) are the largest elements of the tax cost (TTR: 16.1%). Value added tax is not a cost to TaxpayerCo, but adds significantly to the compliance burden. VAT accounts for 46% of the hours to comply and 32% of the tax payments required.

Figure 2.1

#### The global average result for each indicator

| Tax type                     | Total Tax Rate | Time to comply | Number of payments |
|------------------------------|----------------|----------------|--------------------|
| Profit taxes                 | 18.1%          | 71             | 3.7                |
| Labour taxes & contributions | 16.2%          | 102            | 12.1               |
| Other / Consumption taxes    | 13.5%          | 109            | 14.1               |
| <b>Total</b>                 | <b>47.8%</b>   | <b>282</b>     | <b>29.9</b>        |
| Minimum                      | 0.2%           | 0              | 2                  |
| Maximum                      | 339.7%         | 2,600          | 135                |

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

Figure 2.2

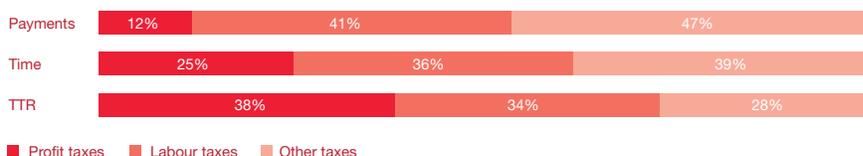
#### The global average results – Paying Taxes 2006 and 2011

| Tax type                     | Total Tax Rate |              |              | Time to comply |            |            | Number of payments |             |             |
|------------------------------|----------------|--------------|--------------|----------------|------------|------------|--------------------|-------------|-------------|
|                              | 2011           | 2006         | Change       | 2011           | 2006       | Change     | 2011               | 2006        | Change      |
| Profit taxes                 | 18.1%          | 19.7%        | -1.6%        | 71             | 85         | -14        | 3.7                | 4.2         | -0.5        |
| Labour taxes & contributions | 16.2%          | 17.7%        | -1.5%        | 102            | 120        | -18        | 12.1               | 13.5        | -1.3        |
| Other / Consumption taxes    | 13.5%          | 16.2%        | -2.8%        | 109            | 124        | -15        | 14.1               | 16.1        | -2.0        |
| <b>Total</b>                 | <b>47.8%</b>   | <b>53.7%</b> | <b>-5.9%</b> | <b>282</b>     | <b>329</b> | <b>-47</b> | <b>29.9</b>        | <b>33.8</b> | <b>-3.9</b> |

Note: The table shows the global average result in 2011 compared to 2006 and the degree of change.<sup>23</sup>  
Source: *Doing Business* database

Figure 2.3

#### Corporate income tax is only part of the burden



Note: The chart shows the average for all economies in the study.  
Source: PwC analysis

Figure 2.4

#### How different taxes impact on the results - Zambia

| Tax                               | Number of payments | Time to comply | Total Tax Rate |
|-----------------------------------|--------------------|----------------|----------------|
| Corporate income tax              | 5                  | 48             | 1.7%           |
| Pension contribution              | 12                 | 24             | 5.6%           |
| Workmen compensation contribution | 1                  | -              | 4.8%           |
| Value added tax (VAT)             | 12                 | 60             | -              |
| Fuel tax                          | 1                  | -              | 2.0%           |
| Road traffic commission           | 4                  | -              | 0.2%           |
| Property transfer tax             | 1                  | -              | 1.8%           |
| Tax on interest                   | 0                  | -              | -              |
| Medical levy                      | 1                  | -              | 0.0%           |
| <b>Total</b>                      | <b>37</b>          | <b>132</b>     | <b>16.1%</b>   |

Note: This table is an illustration of the impact of the different taxes on the results using Zambia.  
Source: *Doing Business* database

<sup>23</sup> The changes/trends quoted in this table, and generally in Chapter 2, reflect the movement in the global averages for all economies included in each study for 2006 and 2011. There are eight more economies in the 2011 study than in the 2006 study. The trends referred to in Chapter 1 and in *Key themes and findings*, are calculated on the basis of only the economies that were included in both studies.

<sup>24</sup> The percentage for corporate income tax (CIT) also includes other taxes calculated by reference to profit. However, CIT is the predominant tax on profit. Only eight economies in the study do not have CIT.

## The number of taxes paid by business

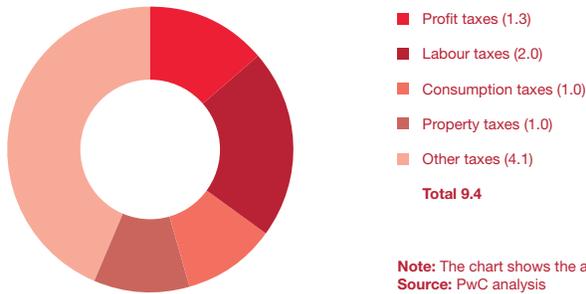
Corporate income tax is only one of many taxes paid by business. This is shown by looking at the number of taxes that the case study company must comply with around the world. TaxpayerCo has to pay 9.4 different taxes on average (both those that are borne by the company and those it collects on behalf of government) – see figure 2.5. Profit taxes are mostly corporate income tax, which is the most common tax on profits. Only eight economies, out of the 183 in the study, don't have a corporate income tax within their tax regime for the case study company. Profit taxes also include any other taxes calculated by reference to profits such as the enterprise tax in Japan, or secondary tax on companies in South Africa.

Labour taxes include a variety of taxes and social contributions that relate to employment and can be levied on the employer or on employees. Labour taxes and contributions which are the employers' cost are included in the TTR and in the compliance burden. The time spent deducting the employees' share through the payroll is also included in the time to comply.

Some economies levy a single social contribution, such as the payroll tax in Sweden, which is borne by both employer and employee. In others, there are several different contributions. For example, Romania has seven such contributions. Social security contributions, health insurance contributions and unemployment contributions are all borne by both the employer and employee in Romania. Accident risk fund, labour inspectorate commission, guarantee fund, and medical leave, are borne only by the employer.

Figure 2.5

Global average number of taxes paid by the case study company – 9.4 taxes



Note: The chart shows the average result for all economies in the study  
Source: PwC analysis

Consumption taxes include value added tax (VAT) and other sales taxes. VAT is the most dominant form of consumption tax around the world – in some form or other, it is used in 148 economies. The United States is the only OECD and G8 member economy that does not have a VAT system.

Taxes on property include local taxes on property ownership or use, such as business rates in the United Kingdom and land tax in Australia. In addition, property taxes include taxes on the transfer of property, such as stamp duty in Mauritius and a municipal property transfer tax in Bulgaria.

As figure 2.5 shows, there are many other taxes levied on business. On average, there are four other taxes for our case study company. These include taxes on interest and cheque transactions, taxes or licence fees for motor vehicles, road maintenance levies, advertising taxes, and taxes on refuse collection and sewerage.

Two economies, Japan and Sweden, provide a good example of the variation in the number of taxes levied on business (figure 2.6). Sweden follows best practice and levies just five taxes on the case study company – one tax per tax base. There is corporate tax, payroll tax, real estate tax, VAT and fuel tax. In contrast, Japan levies 20 taxes, with three taxes on profit, five labour taxes and contributions, six property taxes, one consumption tax, and five other taxes.

It is important to note that fewer taxes do not necessarily mean a lower tax cost. Sweden has a TTR of 54.6% and Japan 48.6%. However, Sweden raises these revenues using just five taxes, while Japan uses four times as many. This is reflected in the compliance burden on business. In Sweden, TaxpayerCo needs just 36 hours to comply with the payroll tax (the only tax on employment). In Japan, it takes 140 hours to comply with the five different labour taxes and contributions.

*‘It is important to note that fewer taxes do not necessarily mean a lower tax cost.’*

Figure 2.7 shows the average number of taxes for a number of regional and economic groupings, compared to the world average. The average varies from 8.5 in the Asia Pacific<sup>25</sup> to 11.0 in the OECD<sup>26</sup> and 11.4 in the G20<sup>27</sup> economies. It is interesting that the average number of taxes is higher in the larger, most developed economies. The OECD economies, for example, have an extra labour tax and one or two more other taxes on average than economies in Asia Pacific or Central Asia and Eastern Europe<sup>28</sup>.

**Figure 2.6**

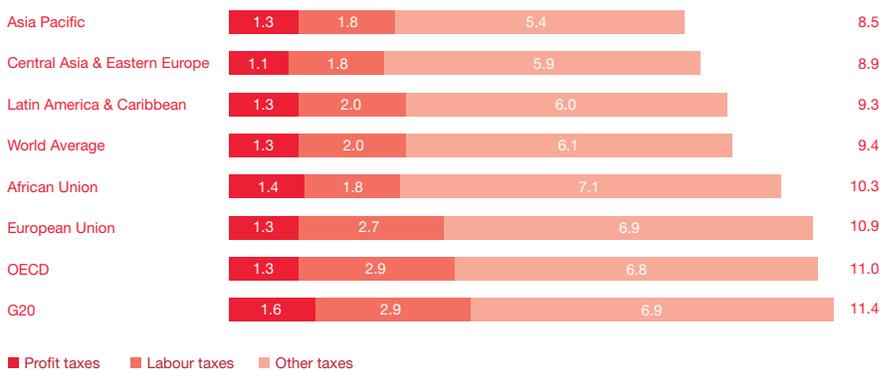
**Number of taxes in Japan and Sweden**

| Sweden                       |                       |      | Japan        |                                 |       |
|------------------------------|-----------------------|------|--------------|---------------------------------|-------|
| Tax base                     | Tax                   | TTR  | Tax          | TTR                             |       |
| Profit                       | Corporate income tax  | 1    | 16.4%        | Corporate income tax            | 18.3% |
|                              |                       |      |              | Enterprise Tax                  | 5.6%  |
| Labour                       | Payroll tax           | 1    | 36.6%        | Inhabitants tax                 | 4.0%  |
|                              |                       |      |              | Health insurance                | 4.6%  |
|                              |                       |      |              | Welfare pension insurance       | 8.9%  |
|                              |                       |      |              | Child allowance contribution    | 0.1%  |
|                              |                       |      |              | Workmen's accident compensation | 0.4%  |
|                              | Employment insurance  | 0.7% |              |                                 |       |
| Consumption                  | Value added tax (VAT) | 1    | -            | Value added tax (VAT)           | -     |
| Property                     | Real estate tax       | 1    | 0.5%         | Fixed Assets Tax                | 1.3%  |
|                              |                       |      |              | City Planning Tax               | 0.3%  |
|                              |                       |      |              | Depreciable Fixed Assets Tax    | 1.6%  |
|                              |                       |      |              | Business Premises Tax           | 0.3%  |
|                              |                       |      |              | Real Property Acquisition Tax   | 0.8%  |
|                              |                       |      |              | Stamp Tax                       | 0.1%  |
|                              |                       |      |              | Automobile Tax                  | 0.0%  |
|                              |                       |      |              | Automobile Tonnage Tax          | 0.0%  |
|                              |                       |      |              | Fuel tax                        | 1.4%  |
| Registration and license tax | 0.2%                  |      |              |                                 |       |
| Other                        | Fuel tax              | 1    | 1.1%         | Tax on interest                 | 0.0%  |
| <b>Total Tax Rate</b>        |                       |      | <b>54.6%</b> | <b>48.6%</b>                    |       |

**Note:** the table lists the taxes paid in Sweden and Japan and the contribution to the Total Tax Rate  
**Source:** Doing Business database

**Figure 2.7**

**Average number of taxes to comply with by region**



**Note:** The chart shows the average number of taxes for the economies in each region  
**Source:** PwC analysis

<sup>25</sup> Asia Pacific includes Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Fiji, Hong Kong (China), India, Indonesia, Japan, Kiribati, Korea (Rep.), Lao PDR, Malaysia, Maldives, Marshall Islands, Micronesia (Fed. Sts.), Mongolia, Nepal, New Zealand, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Taiwan, China, Thailand, Timor-Leste, Tonga, Vanuatu, Vietnam.

<sup>26</sup> OECD member countries include Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea (Rep.), Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

<sup>27</sup> G20 member states include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea (Rep.), Mexico, Russian Federation, Saudi Arabia, South Africa, Turkey, United Kingdom, United States.

<sup>28</sup> Central Asia and Eastern Europe includes Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Macedonia FYR, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine, Uzbekistan.

## The Total Tax Rate (TTR)

The TTR measures the tax cost for TaxpayerCo. Corporate income tax and all other taxes borne by the company are added together and expressed as a percentage of its profit before all of those taxes. This profit before all taxes borne is called the commercial profit in the World Bank and IFC methodology.

To illustrate the TTR calculation, figure 2.8 shows the results for Italy. All taxes borne by TaxpayerCo in Italy (both above and below the line) total €977k, and represent 68.6% of commercial profit. The pie chart in figure 2.9 shows the taxes borne in Italy by percentage. Labour taxes and contributions account for 64% of the TTR (51% in social security contributions and 13% in mandatory contribution for work termination). Federal (IRES) and local (IRAP) corporate income tax account for a further 33% and five smaller taxes make up the remaining 3%. Figure 2.10 shows how the TTR for Italy compares to the average rate in neighbouring economies in the European Union<sup>29</sup> and to the world average. It also shows how both labour taxes and taxes on profit contribute to the higher rate.

As shown in figure 2.1, the average TTR for all economies in the study is 47.8%. This is split by profit taxes (18.1%), labour taxes (16.2%), and other taxes borne (13.5%). Figure 2.11 illustrates the distribution of results for the TTR around the world and shows that there is strong concentration of economies with a TTR in the range from 25% to 50% (110 economies). 25 economies have TTRs below 25% and 48 economies over 50%. Figure 2.12 compares the distribution of results with those from five years ago in *Paying Taxes 2006*, and shows the downward trend in tax cost. In *Paying Taxes 2006*, the global average TTR was 53.7% (5.9% higher than in *Paying Taxes 2011*) and 107 of the economies had TTRs which fell in the range between 30% and 55%.

Figure 2.8

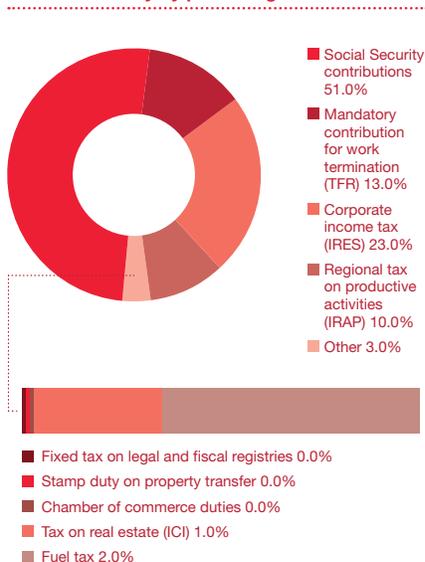
### The TTR calculation for Italy

|  | €'000 | €'000        |
|--|-------|--------------|
| Profit before tax (PBT)                                  |       | 675          |
| <i>Add back above the line taxes borne:</i>              |       |              |
| Social security contributions                            | 496   |              |
| Mandatory contribution for work termination              | 123   |              |
| Regional tax on productive activities                    | 95    |              |
| Fuel tax   | 19    |              |
| Tax on real estate                                       | 12    |              |
| Chamber of commerce duties                               | 2     |              |
| Fixed tax on legal and fiscal registries                 | 1     |              |
| Stamp duty on property transfer                          | 0     |              |
|  |       | 748          |
| <b>Profit before all taxes borne / commercial profit</b> |       | <b>1,423</b> |
| Corporate income tax on PBT after necessary adjustments  | (229) |              |
| Above the line taxes borne                               | (748) |              |
| <b>Total taxes borne</b>                                 |       | <b>(977)</b> |
| Profit after tax   |       | 446          |
| <b>TTR = total taxes borne / commercial profit</b>       |       | <b>68.6%</b> |

Note: The table shows an example of the calculation of TTR for Italy  
Source: PwC analysis

Figure 2.9

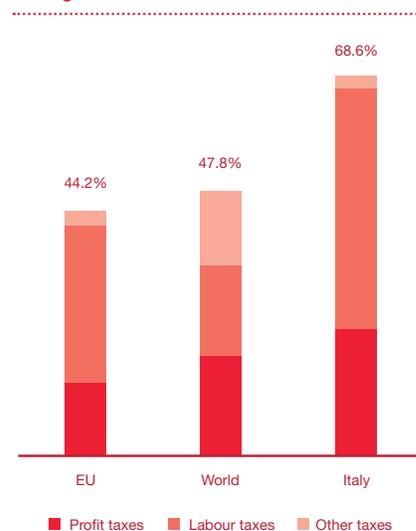
### The TTR for Italy by percentage



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

Figure 2.10

### TTR for Italy compared to the EU and world average

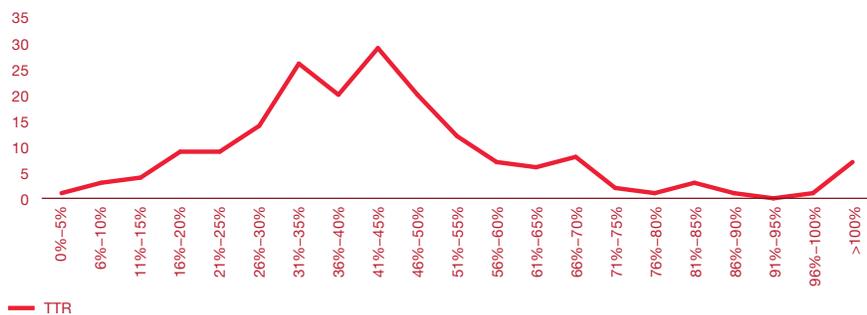


Note: The chart compares the TTR for Italy with the European Union and world average  
Source: PwC analysis

<sup>29</sup> The European Union includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom.

**Figure 2.11**

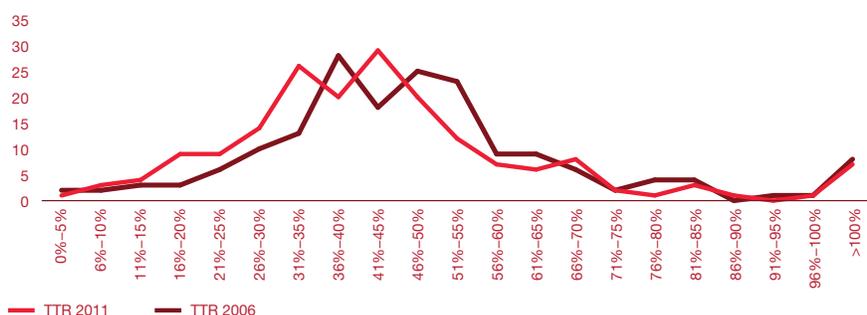
**Distribution of TTR results – 110 economies have TTRs between 25% and 50%**



**Note:** The chart shows the distribution of TTR for all economies in the study  
**Source:** PwC analysis

**Figure 2.12**

**The trend in results for the TTR since the first study – In Paying Taxes 2006, 107 economies had TTRs between 30% and 55%**



**Note:** The chart compares the distribution of TTRs for economies in *Paying Taxes 2011 and 2006*.  
**Source:** PwC analysis

**Figure 2.13**

**List of low and high TTR economies by region**

| Low TTR                       |                      |       | High TTR                  |                               |         |       |
|-------------------------------|----------------------|-------|---------------------------|-------------------------------|---------|-------|
| Region                        | Economy              | TTR   | Region                    | Economy                       | TTR     |       |
| African Union                 | Namibia              | 9.6%  | African Union             | Algeria                       | 72.0%   |       |
|                               | Zambia               | 16.1% |                           | Eritrea                       | 84.5%   |       |
|                               | Botswana             | 19.5% |                           | Burundi                       | 153.4%  |       |
|                               | Lesotho              | 19.6% |                           | Central African Republic      | 203.8%  |       |
| Asia Pacific                  | Timor-Leste          | 0.2%  |                           | Comoros                       | 217.9%  |       |
|                               | Vanuatu              | 8.4%  |                           | Sierra Leone                  | 235.6%  |       |
|                               | Maldives             | 9.3%  |                           | Gambia, The                   | 292.3%  |       |
|                               | Samoa                | 18.9% |                           | Congo, Dem. Rep.              | 339.7%  |       |
| Central Asia & Eastern Europe | Macedonia, FYR       | 10.6% |                           | Asia Pacific                  | Palau   | 73.0% |
|                               | Georgia              | 15.3% |                           | Central Asia & Eastern Europe | Belarus | 80.4% |
|                               | Kosovo               | 16.5% | Tajikistan                | 86.0%                         |         |       |
| Middle East                   | Qatar                | 11.3% | Uzbekistan                | 95.6%                         |         |       |
|                               | United Arab Emirates | 14.1% | Latin America & Caribbean | Colombia                      | 78.7%   |       |
|                               | Saudi Arabia         | 14.5% | Bolivia                   | 80.0%                         |         |       |
|                               | Bahrain              | 15.0% | Argentina                 | 108.2%                        |         |       |
|                               | Kuwait               | 15.5% |                           |                               |         |       |
|                               | West Bank and Gaza   | 16.8% |                           |                               |         |       |

**Note:** The chart lists economies with low TTRs (less than 20%) and high TTRs (greater than 70%)  
**Source:** *Doing Business* database

Figure 2.13 lists the economies at both the lower end of the results (TTRs of less than 20%) and the higher end (TTRs of more than 70%). Economies at the lower end include oil-rich states like the United Arab Emirates (14.1%) and island states such as the Maldives (9.3%). The Maldives levies three taxes borne on TaxpayerCo – property transfer tax (9.1%), business registration fees (0.1%), and vehicle registration fees (0.1%) - but collects most of its revenue from profits taxes on the tourism and banking sectors. The UAE does not have profits tax for domestic business. But it does levy a social security contribution on the employer, which accounts for most of the 14.1% TTR, plus two other small taxes - a trade licence fee (0.01%) and a vehicle registration fee (0.03%).

Cascading sales tax systems add dramatically to the tax cost in five African economies (Burundi, Comoros, Congo Democratic Republic, The Gambia, and Sierra Leone). Cascading style sales tax systems add extra tax costs to each consumer so that an element of them is borne by each company in the supply chain. They make up 95% of the high TTR (235.6%) in Sierra Leone, for example. Since 2009, (the base period for *Paying Taxes 2011*), Burundi has changed to a VAT system, which will considerably reduce the TTR in future years. Turnover taxes (levied on turnover rather than profits) in Argentina and Côte D'Ivoire also add to the tax cost.

Figure 2.14 shows the average TTR by regional grouping. The Asia Pacific region has the lowest TTR of the groupings (36.9%), while Latin America and the Caribbean (48.0%), the G20 (50.0%), and the African Union (66.4%) all have an average TTR above the world average. While the average TTR for all economies in the study has dropped by 1.3% in the last year (from 49.1% to 47.8%), the biggest change is in the Central Asia and Eastern Europe regional grouping where the average has dropped by 3.1% (42.5% compared to 45.6% last year). Figure 2.15 compares the average TTR in this region for the last two years, and shows the biggest falls in profit taxes (1.2%) and other taxes (1.4%). This has been driven by reforms in some of the economies in the region. FYR Macedonia and Kosovo both made reforms to their corporate income tax regimes, and Belarus reduced the turnover tax, the base for property tax, and social contributions.

Figure 2.14 also shows that the make-up of the TTR varies by region. Profit taxes account for 18.1% of commercial profit on average around the world, but represent a higher percentage in Asia Pacific (18.9%), Latin America and the Caribbean (21.9%), and the African Union (22.2%).

The statutory rate of corporate income tax is often not a good indicator of the rate of tax paid. This is because tax rules require adjustments to the accounting profit to calculate the taxable profits. Zambia and Kenya provide a good example. In Zambia, the statutory rate of corporate income tax is 35%. However, our case study company receives generous tax allowances on its capital investment, and corporate income tax paid is only 1.7% of commercial profit. In Kenya, the statutory rate is 30%, but the disallowance of start-up and other expenses increase corporate income tax paid to 33.1% of commercial profit.

The UK provides another good example. In the UK, the statutory rate of corporate income tax has fallen from 30% to 28%. However, the reduction in rate is compensated for by the restriction in tax allowances for capital expenditure. As a small company, TaxpayerCo is subject to a lower statutory rate and did not benefit in full from the rate reduction, but does suffer from the restriction of reliefs. As a result, the profit tax element of the TTR in the UK rose from 21.9% in *Paying Taxes 2010* to 23.1% in the 2011 study.

**Figure 2.14**

**Comparison of the TTR by region**



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

**Figure 2.15**

**The trend in TTR for Central Asia and Eastern Europe**



**Note:** The chart compares the average TTR for Central Asia and Eastern Europe region between *Paying Taxes 2011* and *Paying Taxes 2010*.  
**Source:** PwC analysis

*‘The statutory rate of corporate income tax is often not a good indicator of the rate of tax paid’*

TTRs for a selection of economies in Asia with results across the range are compared in figure 2.16. Singapore has the lowest TTR (25.4%) - one of the lowest elements attributable to corporate income tax (7.4%) - and the lowest statutory rate (17%). Singapore has had a policy of low corporate income tax rates for some years as a means of attracting business investment and job creation. In China, the statutory rate is higher at 20%, but TaxpayerCo pays only 5.5% of commercial profit in corporate income tax (the lowest among these economies) due to generous allowances for start-up and business development expenditure. In Japan, the statutory rate is 30%, and the company pays two other profits taxes: an enterprise tax, at the statutory rate of 9.2%, and an inhabitants tax, at a rate of 6.2%. In Japan, TaxpayerCo pays 27.9% of commercial profits in profit taxes.

For almost all regional groupings, corporate income tax accounts for less than half of the TTR. The percentage made up by labour taxes varies between regions, with the highest percentage in the EU (28.4% of the commercial profit), and one of the lowest in the African Union (14.5%). Conversely, the average percentage accounted for by other taxes is low in the EU (2.7% of commercial profit), and is the highest in the African Union<sup>30</sup>(29.7%).

TTRs vary between neighbouring economies. Figure 2.17 shows TTRs for the 26 EU economies in the study (Malta is not included). High taxes on employment are a feature of the region. The average rate of labour taxes for the employer in the EU is 28.4% of commercial profits and the highest of the regions shown. This is not to say, of course, that higher rates are worse - the EU is a region where the high level of social payments is reflected in the social support services that generally exist in the region.

Romania is an example of how labour taxes and contributions can be the major part of the TTR for our case study company (see figure 2.18). Romania has seven labour taxes, which account for 72% of the TTR. Labour taxes borne by the employer are 32.3% of commercial profit in Romania, compared to 28.4% in the EU and 16.2% globally.

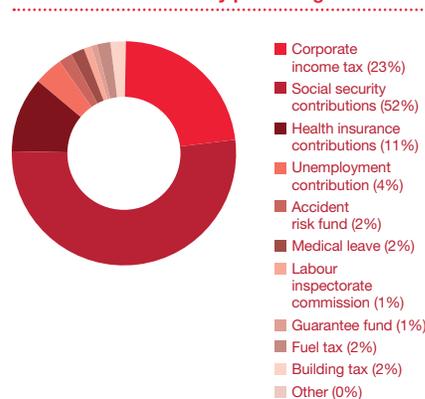
It is important to note that the TTR measures only labour taxes and social contributions borne by the employer and not those levied on the employee. But these are included in the measure of compliance burden (hours to comply) where the employer is responsible for deducting them from salaries and paying them over to the tax authorities. They are not included in the measure of tax cost (TTR). Chile is an outlier in Latin America and the Caribbean<sup>31</sup> in that labour taxes and social contributions are imposed largely on the employee. The low TTR for Chile (25%) and the low percentage for labour taxes (3.8%) should be read with this context in mind.

**Figure 2.16**  
Comparison of TTRs for a selection of Asian economies



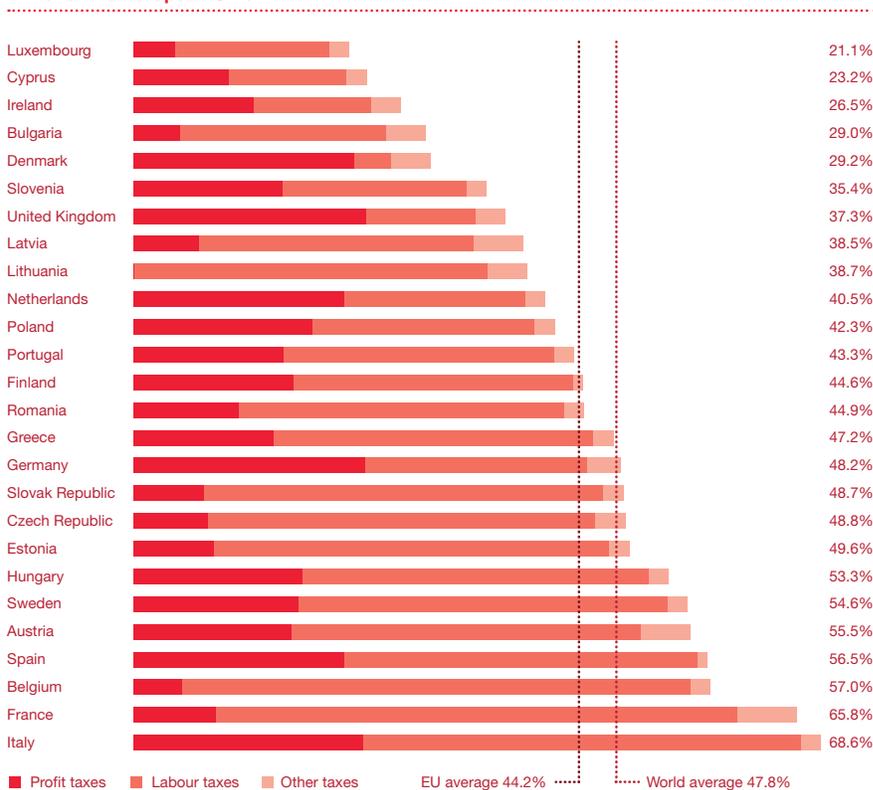
**Note:** The chart shows the average TTR in a selection of Asian economies and compares these to the Asia Pacific and world average.  
**Source:** PwC analysis

**Figure 2.18**  
The TTR for Romania by percentage



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

**Figure 2.17**  
TTRs for the European Union



**Note:** The chart shows the TTRs for economies in the European Union split by type of tax compared to the EU and the world average  
**Source:** PwC analysis

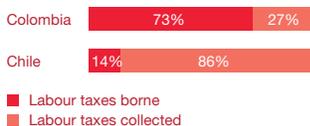
<sup>30</sup> African Union includes Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo (Dem. Rep.), Congo (Rep.), Côte d'Ivoire, Djibouti, Egypt (Arab Rep.), Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia (The), Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe (NB suspended countries are included).  
<sup>31</sup> Latin America and Caribbean includes Antigua and Barbuda, Argentina, Bahamas (The), Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, Venezuela (R.B).

Figure 2.19 compares the level of taxes and contributions on employment in Chile to those in neighbouring Colombia. In Colombia, the employer bears 73% of the total bill for social contributions, and labour taxes are 33.9% of commercial profits. In Chile, 86% of social contributions are borne by the employee. Preliminary research by the World Bank and IFC has identified six other economies in the study which are outliers in this respect, in the same way as Chile.

In the African Union, the range of results for the TTR is wide (see figure 2.20). The TTR ranges from 9.6% in Namibia to 339.7% in the Congo Democratic Republic.

A feature of some African tax systems is the high level of 'other taxes' in the TTR. As previously mentioned, in five countries with TTRs over 100%, cascading sales taxes add considerably to the cost. Burundi, Comoros, Congo Democratic Republic, The Gambia, and Sierra Leone all have these taxes which make up the majority of the TTR (see figure 2.21). If the African economies with TTRs over 100% are excluded, the average for the region drops to 43.2%, which is below the world and EU average.

**Figure 2.19**  
Social contributions borne and collected in Colombia and Chile



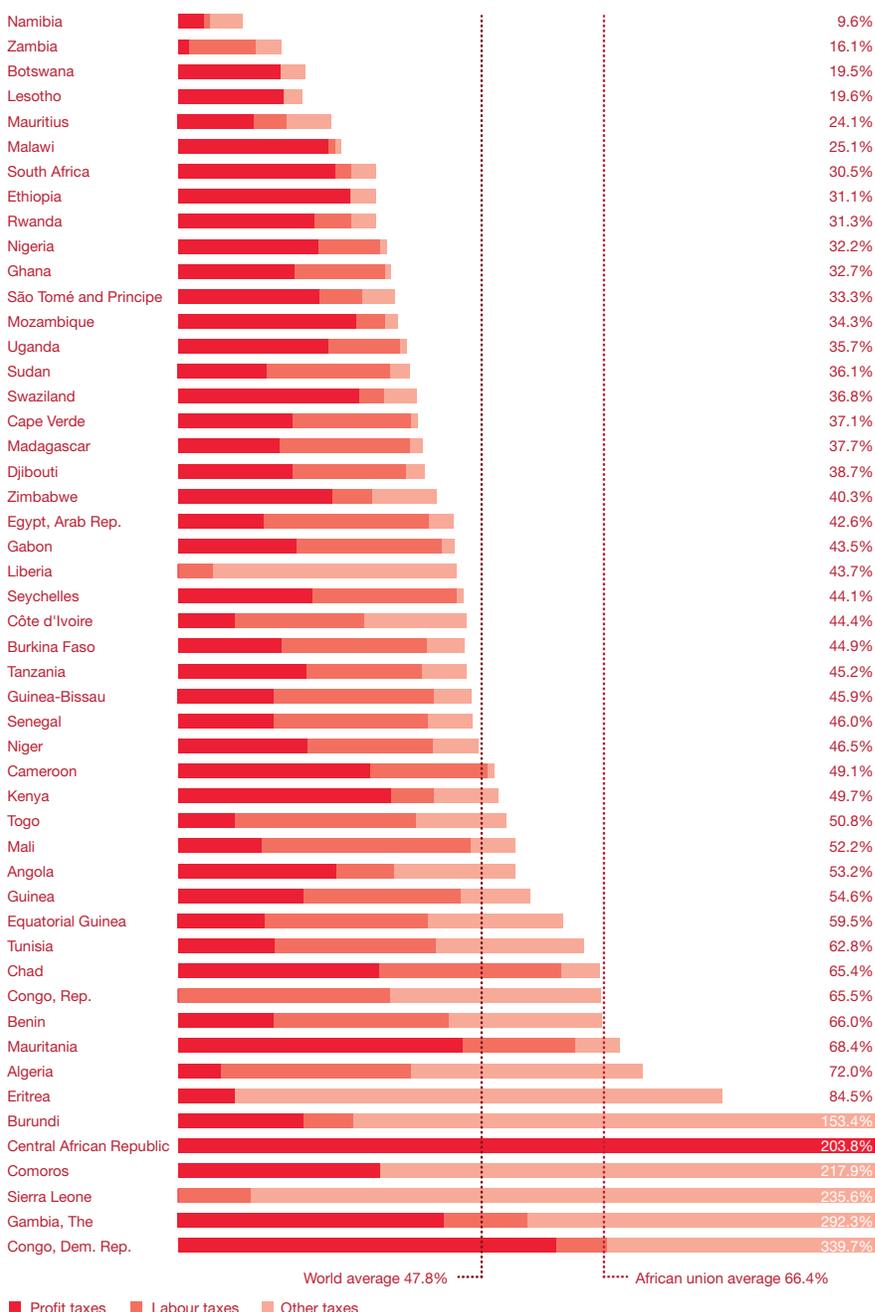
**Note:** The chart shows the percentage split of social contributions in Colombia and Chile between those levied on the employer and those levied on the employee.  
**Source:** PwC Analysis

**Figure 2.21**  
Impact of the sales tax system on the TTR in Africa

| Economy                   | TTR    | Sales tax element | Proportion of TTR |
|---------------------------|--------|-------------------|-------------------|
| Sierra Leone              | 235.6% | 224.3%            | 95%               |
| Comoros                   | 217.9% | 186.5%            | 86%               |
| Burundi                   | 153.4% | 126.2%            | 82%               |
| The Gambia                | 292.3% | 238.0%            | 81%               |
| Congo Democratic Republic | 339.7% | 272.8%            | 80%               |

**Note:** The table shows the TTR for five economies in Africa which have a cascading sales tax and the proportion of the TTR attributable to the sales tax.  
**Source:** PwC analysis

**Figure 2.20**  
TTRs for the African Union



**Note:** The chart shows the TTR for economies in the African Union (AU) split by type of tax compared to the AU and world average  
**Source:** PwC analysis

# A study of the economic contribution mining companies make to public finances

Total Tax Contribution (TTC) is a methodology for identifying and measuring all of the different taxes, royalties and other amounts that companies pay to government. PwC's second TTC study with mining companies, published in May 2010, helped to bring transparency around the extent of the economic contribution that mining companies make to the public finances in the countries where they operate. The mining industry, perhaps more than others, remits large amounts of non-income taxes to various levels of government in different forms. However, these non-income taxes may not be highlighted in financial statements, leaving an incomplete picture of the contribution that mining companies make.

Mining companies are under increased public scrutiny regarding the taxes they pay, and in some countries, governments have imposed or are looking to impose additional levies on the sector. There is also growing pressure on both government and business to increase transparency in the extractive industries, with a call for companies to 'publish what they pay', and for governments to 'publish what they receive' and to report how they use these revenues. The Dodd Frank Wall Street Reform Act, signed by President Obama in July 2010, will in future require SEC registered

companies in the sector to disclose their payments to government by country and by project. PwC's TTC work with mining companies has already helped to throw light on the scale of the economic contribution they make to public finances. A number of these companies are also using this information in their own corporate reporting.

The TTC study included 22 mining companies headquartered around the world. It looked at their taxes and other contributions paid to government, in 20 countries of operation, in the year to 31 December 2008. The study results are available at [www.pwc.com/ttc-mining-study](http://www.pwc.com/ttc-mining-study).

The TTC mining study shows that on average around the world:

- Corporate income tax is only 40% of all taxes and contributions borne by mining companies.
- For every \$1 of corporate income tax, mining companies pay another \$1.50 in other taxes and contributions borne plus \$0.52 in taxes collected.
- Mining companies contribute an amount equivalent to 15.3% of their turnover to government.
- For every employee, mining companies paid an average of \$15,349 in employment taxes alone.

**Taxes and contributions borne by mining companies by percentage**



**Note:** Pie chart shows the average picture for taxes and contributions borne by mining companies.  
**Source:** *Total Tax Contribution*. A study of the economic contribution mining companies make to public finances March 2010

There has been a positive response to the study, validating our perception that there is keen interest in better understanding the complete tax and other payments that mining companies make to government. The study results have been used by government, investors and civil society organisations, as well as by the industry and mining companies themselves.

# Paying taxes and development

Economies all around the world depend on taxes to fund public expenditure, meet economic and social objectives, and improve citizens' lives. However, developing economies generally derive a lower percentage of their revenues from taxes and rely more on debt or international aid. With aid monies negatively affected by the economic downturn, it is clear that tax revenues are a more sustainable source of financing for developing countries. There is therefore an increased focus on the role that tax can play in international development.

There are a number of challenges to increasing tax revenues in developing countries, including reforming their tax systems to reduce the size of the informal economy and to encourage local businesses to register and pay tax. Figures 2.22 and 2.39 show that Total Tax Rates (TTRs) tend to be higher, and the hours to comply longer, in lower-income economies.

In the study, there are a number of small economies who do well on the Paying Taxes indicator and also on a number of other important and relevant measures. Hong Kong (China), Ireland, Luxembourg, Mauritius, Singapore and Switzerland, all rank in the top 20 for the overall ease of paying taxes and also score highly on two other indices – the United Nations Human Development Index (which is a summary measure

|                  | Ease of Paying Taxes ranking (1) | Human Development Index ranking (2) | Corruption Perception Index ranking (3) | Income level (4)    |
|------------------|----------------------------------|-------------------------------------|---|---------------------|
| Hong Kong, China | 3                                | 24                                  | 12                                      | High-income         |
| Ireland          | 7                                | 5                                   | 14                                      | High-income         |
| Luxembourg       | 15                               | 11                                  | 12                                      | High-income         |
| Mauritius        | 12                               | 81                                  | 42                                      | Upper middle-income |
| Singapore        | 4                                | 23                                  | 3                                       | High-income         |
| Switzerland      | 16                               | 9                                   | 5                                       | High-income         |

(1) The World Bank, IFC and PwC, *Paying Taxes 2011 – the Global Picture* (ranking out of 183)

(2) UNDP Human Development Index 2007 (ranking out of 182 – up to 38 categorised as 'very high' human development, 39 to 83 categorised as 'high' human development)

(3) Transparency International Corruption Perception Index 2007 (ranking out of 180)

(4) The World Bank and IFC, *Doing Business 2011*

of human development based on life expectancy, literacy rate and standard of living) and the Transparency International Corruption Perception Index (which indicates the perceived level of public sector corruption in an economy). These economies may therefore offer best practices or provide a model for other tax systems.

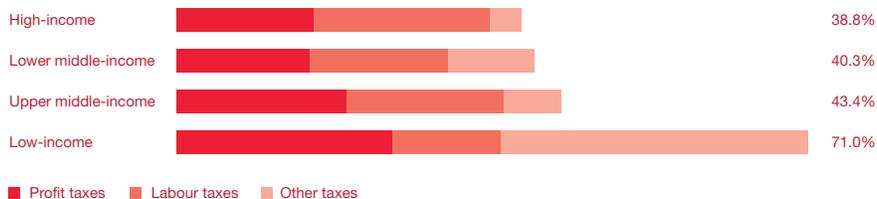
These six economies all have TTRs which are well below the world average of 47.8% (Hong Kong (China): 24.1%, Ireland: 26.5%, Luxembourg: 21.1%, Mauritius: 24.1%, Singapore: 25.4% and Switzerland: 30.1%). They also have compliance time which is well below the world average of 282 hours (Hong Kong (China): 80, Ireland: 76, Luxembourg: 59, Mauritius: 161, Singapore: 84 and Switzerland: 63).

As already stressed, economies with low TTRs are not necessarily a good model for other economies. What is important is how the tax system helps to fulfil economic and social objectives and whether higher taxes flow through to a better quality of life for citizens. These particular economies have low TTRs and compliance time, but high income levels and a high human development score. Their governments' policies have been to keep taxes low to attract business investment.

Given the increased focus on improving tax compliance and tax collection in developing countries, it may be helpful for governments to look at experience in other economies, including these mentioned, for models and good examples.

Figure 2.22

TTR by income level



Note: The chart shows the average TTR by income level, using World Bank Group Development Indicators split by type of tax. Source: Doing Business database

As well as cascading sales taxes, there are other key points of difference between TTRs in the European Union and the African Union. The average corporate income tax element of TTR in the African Union at 22.2% is the highest of the regional groups and above Europe at 13.1%. Labour taxes and contributions are much lower at 14.5% in Africa compared to 28.4% in Europe. Several economies in Africa have very low levels of labour taxes and contributions. Economies such as Lesotho and Ethiopia have no such payments levied on the employer while others, such as South Africa, have a low level (2.5%). As mentioned in the South African country article in *Paying Taxes* last year, increasing social security has been raised as a priority by the National Treasury.

Two countries, Liberia and Kenya, provide an example of the diversity of tax systems in Africa. Kenya levies 16 taxes on TaxpayerCo, but two-thirds (67%) of the TTR of 49.7% is the corporate income tax on profit. Liberia levies nine taxes on TaxpayerCo, including corporate income tax and a turnover tax. Four-fifths (81%) of the TTR of 43.7% is accounted for by the turnover tax. This can be set off against corporate income tax due and reduces this to nil for TaxpayerCo.

Figure 2.22 sets out results when economies are grouped by income level, and shows that the average tax cost is lowest in high-income economies. The picture is similar to the comparison between the African Union and the European Union, with higher profit taxes and lower labour taxes in low-income economies compared to high-income economies. To some extent, this of course reflects lower levels of wages and salaries, but also, as we have seen in Africa, low rates of labour taxes and social contributions.

**The time to comply**

The time to comply measures the compliance burden for TaxpayerCo. Contributors in each economy are asked to estimate the time needed for compliance activities across the three major types of taxes it complies with. This includes corporate income tax; labour taxes and social contributions (both those levied on the employer and those levied on the employee, which the employer deducts through the payroll); and consumption taxes. Compliance activities for each type of tax are grouped under three headings – preparing the tax figures, completing and filing the tax returns, and paying the taxes.

**Figure 2.23**

**Analysis of the hours to comply in Kenya – 393 hours**

| Compliance process   | Corporate income tax | Labour taxes | VAT        |
|--|----------------------|--------------|------------|
| <i>Preparation</i>   |                      |              |            |
| Data gathering from internal sources (for example accounting records)  | 10                   | 15           | 30         |
| Additional analysis of accounting information to highlight tax sensitive items   | 5                    | 6            | 24         |
| Actual calculation of tax liability including data inputting into software/spreadsheets or hard copy records                                     | 15                   | 12           | 96         |
| Time spent maintaining/updating accounting systems for changes in tax rates and rules  | 0                    | 0            | 0          |
| Preparation and maintenance of mandatory tax records if required   | 5                    | 0            | 60         |
| <b>Total</b>   | <b>35</b>            | <b>33</b>    | <b>210</b> |
| <i>Filing</i>  |                      |              |            |
| Completion of tax return forms   | 5                    | 6            | 12         |
| Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office etc             | 10                   | 6            | 12         |
| <b>Total</b>   | <b>15</b>            | <b>12</b>    | <b>24</b>  |
| <i>Paying taxes</i>  |                      |              |            |
| Calculations of tax payments required including if necessary extraction of data from accounting records  | 6                    | 6            | 36         |
| Analysis of forecast data and associated calculations if advance payments are required   | 0                    | 0            | 0          |
| 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) | 4                    | 6            | 6          |
| <b>Total</b>   | <b>10</b>            | <b>12</b>    | <b>42</b>  |
| <b>Grand Total</b>   | <b>60</b>            | <b>57</b>    | <b>276</b> |

**Note:** The table shows the calculation of the hours to comply split between type of tax and compliance activity.  
**Source:** Doing Business database

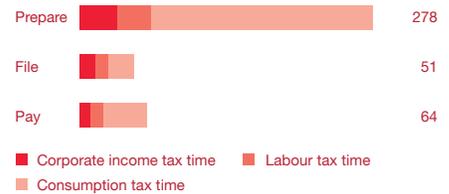
*‘In Kenya, a total of 393 hours is needed to comply – nearly ten weeks of full-time work’*

As an example of the calculation, figure 2.23 shows the time to comply for Kenya. In Kenya, a total of 393 hours are needed or nearly ten weeks of full-time work (with a 40-hour week). The majority of this time (276 hours or nearly seven weeks) is spent on VAT. Split by type of compliance activity (see figure 2.24), around seven of the ten weeks are spent preparing the tax figures, one and a half weeks on completing and filing the tax returns, and one and a half weeks on making payment.

Figure 2.25 shows how the time to comply in Kenya compares to the average for economies in the African Union and the world average result. It is clear that it takes less time to comply with both corporate income tax and labour taxes in Kenya, than on average in the African Union and around the world. However, it takes considerably more time to comply with consumption tax (which in Kenya is VAT) and most of this time is spent preparing the tax figures.

**Figure 2.24**

**Hours to comply in Kenya by compliance activity**



**Note:** The chart shows the hours to comply in Kenya by compliance activity.  
**Source:** Doing Business database

**Figure 2.25**

**The hours to comply in Kenya compared to the African Union and the world average**



**Note:** The chart compares the hours to comply in Kenya with the African Union (AU) and world average.  
**Source:** PwC analysis

As shown in figure 2.1 the average time to comply for all economies in the study is 282 hours. Seventy-one hours are spent on corporate income tax, 102 hours on labour taxes and 109 hours on consumption taxes. Figure 2.26 shows the distribution of results and highlights that there is a strong concentration of economies (123 economies) in the range of 101 to 350 hours. Eighteen economies take less than 100 hours to comply with their taxes and 41 economies need more than 350 hours. Figure 2.27 compares the current distribution with that from five years ago in *Paying Taxes 2006* and shows the downward trend. In *Paying Taxes 2006*, the global average time to comply was 329 hours – that’s 47 hours more than in 2011. Only 105 economies were in the range of 101 to 350 hours and, in 53 economies, the time needed to comply was more than 350 hours.

Figure 2.28 lists the economies at both the lower end of the results (less than 100 hours), and the higher end (over 550 hours). Of the 18 economies where less than 100 hours are needed, five are oil-rich states in the Middle East and a further five are island states. These tend to have few taxes so little time is needed. Complying with the property taxes in the Maldives, for example, takes only a few minutes. The remaining economies, however, include five in Europe (Estonia, Ireland, Luxembourg, Switzerland and Norway) plus Hong Kong and Singapore. Some of these are smaller economies which have a positive focus on lightening the tax burden on business as part of their economic policy. Hong Kong, Ireland, Luxembourg, and Switzerland also have a TTR well below the world average. All seven economies score well on quality of life as measured by the United Nations Human Development Index.

**Figure 2.26**

**Distribution of the time to comply results - In 123 economies compliance activities take between 101 and 350 hours**

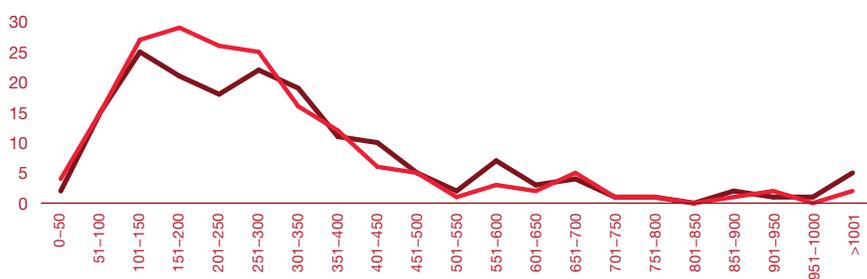


— Hours to comply

**Note:** The chart shows the distribution of results for the time to comply  
**Source:** PwC analysis

**Figure 2.27**

**The trend in results for the time to comply since the first study – In *Paying Taxes 2006* only 105 economies were in the range of 101 and 350 hours**



— Hours 2011 — Hours 2006

**Note:** The chart shows the distribution of results for the time to comply in *Paying Taxes 2011* compared to *Paying Taxes 2006*.  
**Source:** PwC analysis

**Figure 2.28**

**List of economies with low and high time to comply by region**

| Low time to comply          |                      |       | High time to comply           |                |       |
|-----------------------------|----------------------|-------|-------------------------------|----------------|-------|
| Region                      | Economy              | Hours | Region                        | Economy        | Hours |
| African Union               | Seychelles           | 76    | African Union                 | Congo, Rep.    | 606   |
|                             | Djibouti             | 90    |                               | Cameroon       | 654   |
| Asia Pacific                | Maldives             | 0     | Senegal                       | 666            |       |
|                             | Hong Kong, China     | 80    | Mauritania                    | 696            |       |
|                             | Solomon Islands      | 80    | Chad                          | 732            |       |
|                             | Singapore            | 84    | Nigeria                       | 938            |       |
| Europe                      | Luxembourg           | 59    | Asia Pacific                  | Pakistan       | 560   |
|                             | Switzerland          | 63    | Vietnam                       | 941            |       |
|                             | Ireland              | 76    | Central Asia & Eastern Europe | Armenia        | 581   |
|                             | Estonia              | 81    | Ukraine                       | 657            |       |
|                             | Norway               | 87    | Belarus                       | 798            |       |
| Latin America and Caribbean | Bahamas, The         | 58    | Europe                        | Czech Republic | 557   |
|                             | St Lucia             | 92    | Bulgaria                      | 616            |       |
| Middle East                 | United Arab Emirates | 12    | Latin America & Caribbean     | Ecuador        | 654   |
|                             | Bahrain              | 36    | Venezuela, R.B.               | 864            |       |
|                             | Qatar                | 36    | Bolivia                       | 1,080          |       |
|                             | Oman                 | 62    | Brazil                        | 2,600          |       |
|                             | Saudi Arabia         | 79    |                               |                |       |

**Note:** The chart lists economies with low time to comply (less than 100 hours) and high time to comply (greater than 550 hours)  
**Source:** *Doing Business* database

Economies that need more than 550 hours to comply include four in South America, three former Soviet Republics, two new members of the European Union, six in Africa, Pakistan and Vietnam. They show a generally consistent pattern of more burdensome requirements, needing more time than the average across all the three main types of tax. Bulgaria and the Czech Republic provide an interesting example of the difference between the older and newer members of the European Union. Both economies rank well within this economic grouping on the tax cost (the TTR is 29% in Bulgaria and 48.8% in the Czech Republic). But along with other new members in central Europe, they have more to do to reform compliance procedures. The Czech Republic has significantly reduced time to comply over the last five years ( by 373 hours or nine weeks of work) but there is still progress to be made. There has been no reduction during this period to the time needed in Bulgaria.

Figure 2.29 shows the average time to comply by regional grouping. It takes the least time to comply on average in the OECD (209 hours) and the European Union (222 hours), with the longest time needed in Central Asia and Eastern Europe (332 hours), the G20 (370 hours), and Latin America and the Caribbean (385 hours).

Around the world, the average time to comply has fallen by 47 hours, or more than a day a year since the first study five years ago. However the pace of change does seem to have slowed, with a fall on average of only five hours since last year. The biggest change in the last year is in the Central Asia and Eastern Europe region where the average time has fallen by 16 hours (332 compared to 348 last year). Figure 2.30 compares the average time in the region for the last two years, and shows reductions in the time needed across all the different types of taxes. Significant reductions in the time needed across all taxes in Azerbaijan, Belarus and Ukraine affected the regional result. In all three economies, efficiencies from online filing and payment of taxes partly contributed to the reduced time.

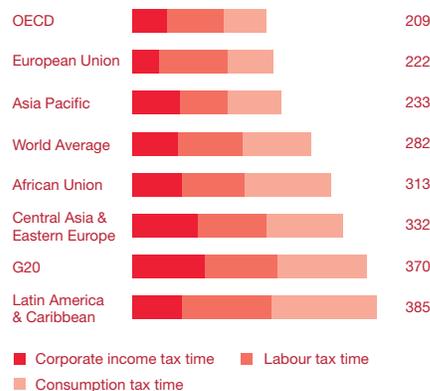
Figure 2.29 also shows that the elements of the time to comply vary by region. In the European Union economies, compliance time is less than the world average for corporate income tax (42 compared to 71 hours) and consumption tax (72 compared to 109 hours). But more time is required for labour taxes (108 compared to 102 hours). It is the reverse in the African Union with less time needed on labour taxes (100 hours) and more on both corporate income tax (77 hours), and consumption tax (135 hours). In the OECD countries, compliance time is less than the world average across all three taxes. But in Latin America and the Caribbean, it takes more time across all taxes.

*‘VAT does not add to the tax cost for TaxpayerCo, but adds considerably to the compliance burden.’*

As shown in figure 2.1, on average around the world, it takes least time for our case study company to comply with corporate income tax (71 hours), more time for labour taxes and contributions (102 hours) and the most time for consumption tax (109 hours). It takes even more time when the consumption tax is a VAT. 148 of the 183 economies measured have a VAT type sales tax system. On average, for these economies, it takes 126 hours for VAT compliance or nearly 64% as much time again as it does for corporate income tax. VAT does not add to the tax cost for TaxpayerCo, but adds considerably to the compliance burden.

**Figure 2.29**

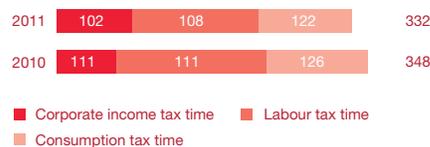
**Comparison of the time to comply by region**



**Note:** The chart shows the average result for the economies in each region and the world average of all economies in the study  
**Source:** PwC analysis

**Figure 2.30**

**The trend in time to comply for Central Asia and Eastern Europe**



**Note:** The chart compares the average time to comply for Central Asia and Eastern Europe region between *Paying Taxes 2011* and *Paying Taxes 2010*.  
**Source:** PwC analysis

The time needed to comply with consumption taxes varies considerably around the world. It ranges from eight hours in Switzerland and 22 hours in Finland to 480 hours in Bolivia and 1,374 hours in Brazil. Our analysis shows that this difference can be driven by administrative practices. It takes nearly a third as much time again to comply when indirect taxes are administered by a separate tax authority from corporate income tax, and over two-thirds as long if the tax authorities require invoices to be submitted with VAT returns (see figure 2.31). It also takes longer when business has to comply with more than one consumption tax. Brazil is the economy where it takes the longest time to comply with consumption taxes at 1,374 hours. It takes a full-time person two-thirds of the year to comply with the three consumption taxes relevant to TaxpayerCo which are PIS / COFINS and IPI (federal taxes) and ICMS (state tax). The state tax system (ICMS) is very complex and involves compliance obligations in all of the 26 Brazilian states into which sales are made.

The time to comply varies between neighbouring economies as well as around the world. The time to comply for economies in the European Union is set out in figure 2.32. In this region, it takes 222 hours on average, with 42 hours for corporate income tax, 108 hours for labour taxes and 72 hours for VAT. The results for compliance time range from 59 hours in Luxembourg to 616 hours in Bulgaria.

Labour taxes and social contributions are the most time-consuming burden in the European Union. Although the time needed for labour taxes has reduced by five hours from last year, it is still above the world average time by six hours. In the economies with the highest time needed for labour taxes, there tends to be multiple labour taxes and social contributions to comply with. The seven economies which take the most time (Hungary: 146 hours, Portugal: 162 hours, Latvia: 165 hours, Finland: 200 hours, Italy: 214 hours, Czech Republic: 262 hours, and Bulgaria: 288 hours) have on average twice as many labour taxes as the economies which take the least time (Luxembourg: 14 hours, Estonia: 34 hours, Sweden: 36 hours, Ireland: 36 hours, Belgium: 40 hours, UK: 45 hours, and Greece: 48 hours).

**Figure 2.31**

**Administrative practices significantly impact the time to comply for consumption taxes**

**Indirect taxes administered by separate authority**



■ Average time to comply with consumption taxes

**Invoices required to be submitted with VAT returns**

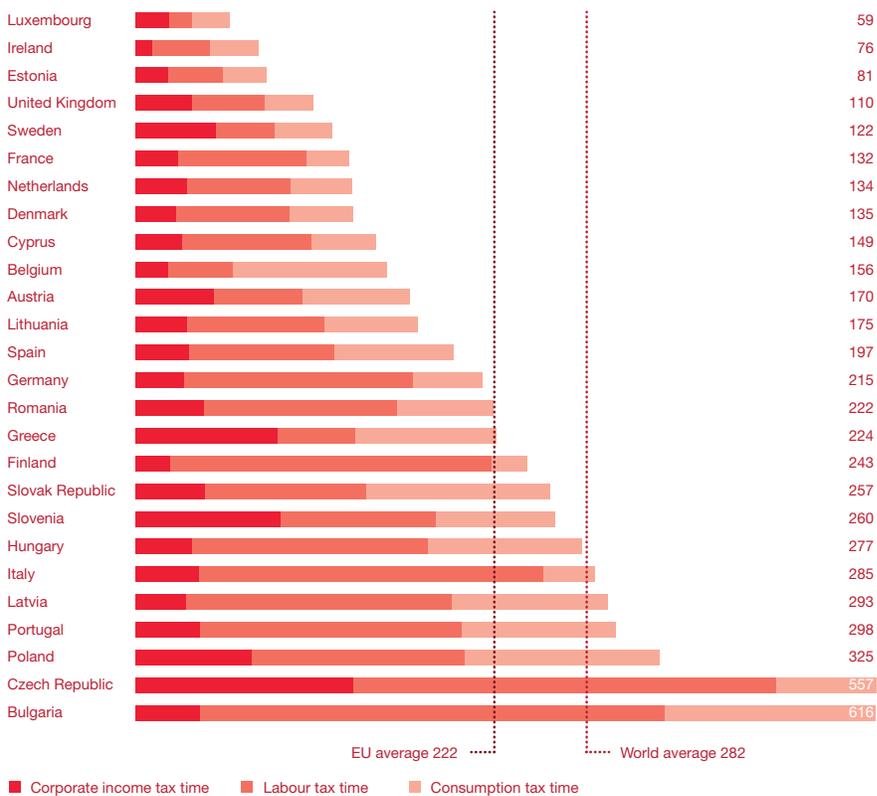


■ Average time to comply with consumption taxes

**Note:** The charts compare the average time to comply where (1) separate authorities administer indirect taxes and corporate income tax and (2) where invoices have to be submitted with VAT returns.  
**Source:** PwC analysis

**Figure 2.32**

**Number of hours to comply across the European Union**



**Note:** The chart shows the hours to comply for the economies in the EU split by type of tax compared to the EU and world average.  
**Source:** PwC analysis

## The impact of VAT compliance on business

Value Added Tax (VAT) is now the most common form of consumption tax system used around the world. However, while the principles of VAT are similar everywhere, the compliance burden on business varies considerably. This is evident in the results of the *Paying Taxes* studies.

PwC has recently undertaken some further research to look in more detail at the differences in the time required for VAT compliance in different countries, and to go some way to understanding what drives this. In addition to data collected as part of the *Paying Taxes 2010* study, further data was collected from 30 of the 145 economies in the study which had a VAT or similar value added consumption tax system. These economies were representative across the range of results for the time required for VAT compliance activities.

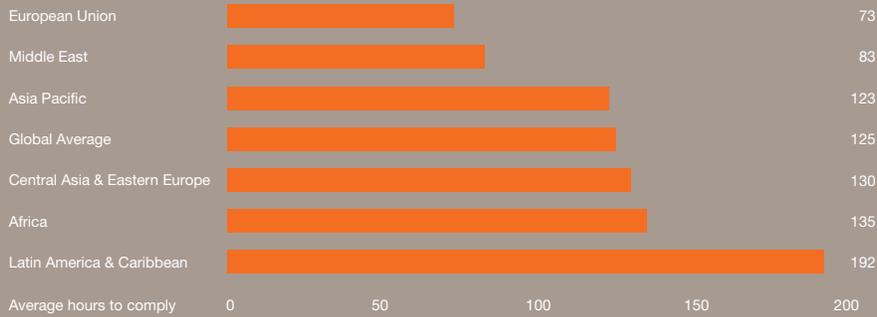
The results of the research are available at [www.pwc.co.uk/pdf/PwC\\_VAT\\_Compliance\\_survey\\_2010.pdf](http://www.pwc.co.uk/pdf/PwC_VAT_Compliance_survey_2010.pdf)

In summary, the results show that:

- On average it takes the case study company longer to comply with VAT than it does to comply with corporate income tax.
- The time needed to comply varies considerably around the world even between neighbouring countries.
- VAT compliance tends to take less time in countries where the tax is administered by the same tax authority as the one which deals with corporate income tax (see figure 2.31).
- On average it takes less time to comply where companies use online filing and payment for VAT.
- The frequency and length of VAT returns impacts the time it takes to comply.
- The requirement to submit invoices or other documentation with the return adds to compliance time (see figure 2.31).

Our research shows that different administrative practices and the way in which VAT is implemented are key reasons for the wide range in hours that it takes our case study company to comply with VAT requirements. Streamlining the compliance burden and reducing the time needed to comply is important for VAT systems to work efficiently.

### The time needed varies by region



**Note:** Chart shows the average time needed to comply with VAT for economies in each economic/geographic region and the world average for all economies with a VAT.

**Source:** Paying Taxes 2010, PwC analysis

### The frequency at which VAT returns are required impacts the time to comply



**Note:** Chart shows the average time needed to comply in economies in the sample group depending on whether VAT returns are required to be made monthly, bi-monthly or quarterly.

**Source:** Paying Taxes 2010, PwC analysis

### The more extensive/long the tax returns, the more time is needed



**Note:** Chart shows the average time to comply per return for economies in the sample, depending on the number of boxes in the return which need to be completed.

**Source:** Paying Taxes 2010, PwC analysis

### It takes less time on average in countries where business uses online filing and payment

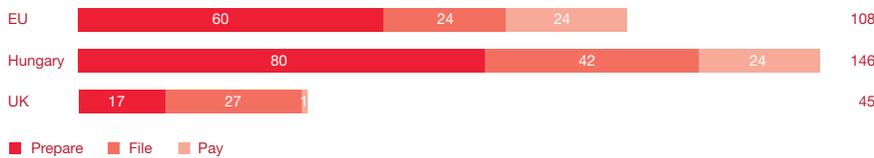


**Note:** Chart compares the average time to comply with VAT for economies in the sample group where business of the size and nature of the case study company file and pay VAT online.

**Source:** Paying Taxes 2010, PwC analysis

**Figure 2.33**

**Time to comply with labour taxes in Hungary and the UK compared to the EU average**

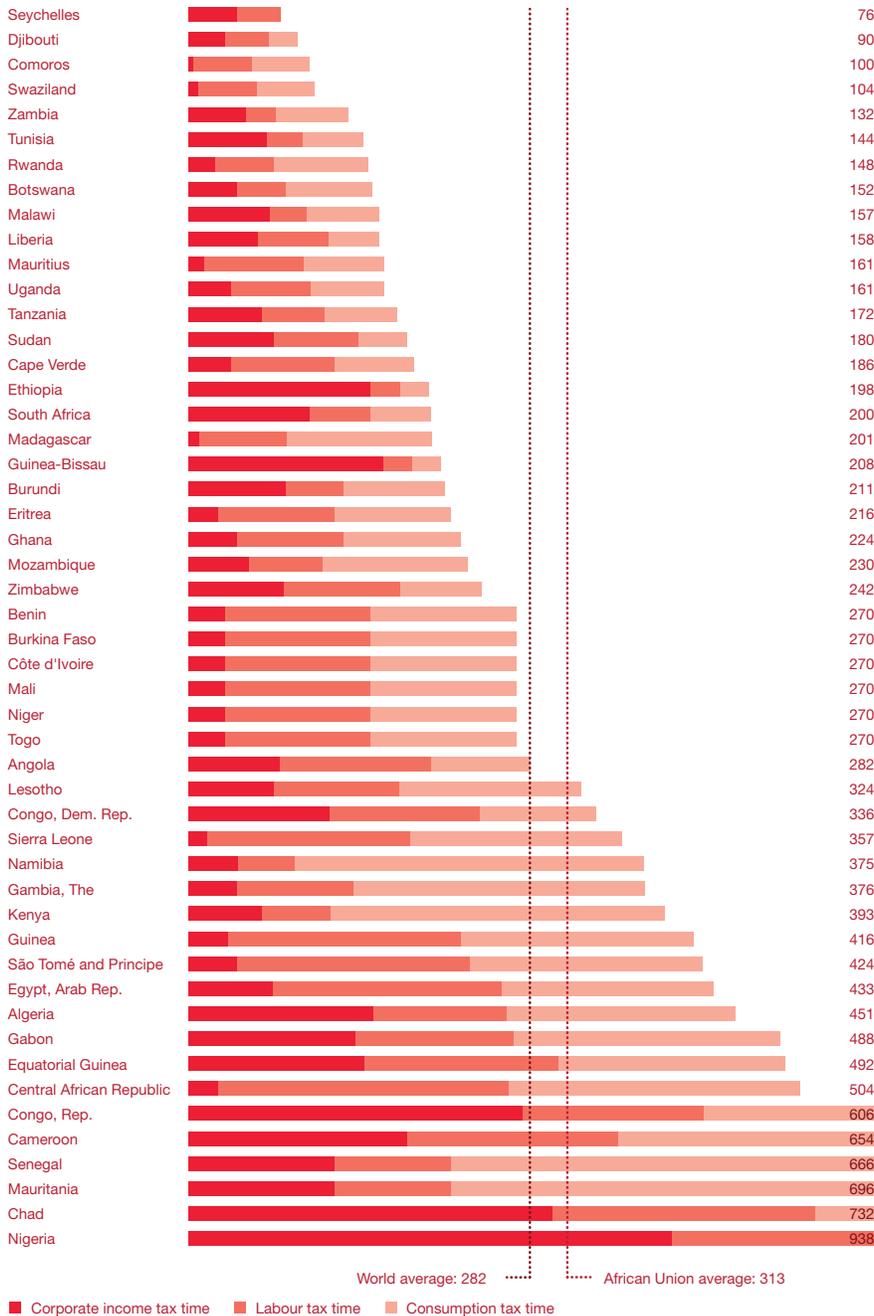


**Note:** The chart compares the time to comply with labour taxes in Hungary and the UK compared to the EU average.  
**Source:** PwC analysis

Figure 2.33 compares the time needed to comply with seven labour taxes and social contributions in Hungary with the single social contribution in the UK, and also with the European Union. It takes considerably longer in Hungary across all areas of compliance activities.

**Figure 2.34**

**Number of hours to comply across the African Union**



**Note:** The chart shows the hours to comply for the economies in the AU split by type of tax compared to the AU and world average.  
**Source:** PwC analysis

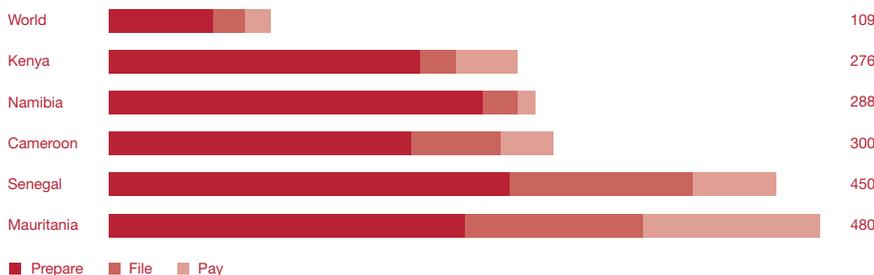
Figure 2.34 shows that the number of hours to comply ranges widely in the African Union from 76 hours in the Seychelles to 938 hours in Nigeria. In Nigeria, it takes our company 938 hours or 23 weeks of work (40 hours a week) to comply with its tax affairs. 398 hours are needed on corporate income tax, 378 hours on labour taxes and 162 hours on consumption taxes. Only in Vietnam, Bolivia, and Brazil does the company need more hours to comply.

In the African Union, the average time to comply of 313 hours is 31 hours above the world average, largely due to more time being needed on consumption taxes (on average 135 compared to 109 hours). Twenty-seven economies in Africa need more time than the global average to comply with their consumption taxes. The economies where the most time is needed are Mauritania (480 hours), Senegal (450 hours), Cameroon (300 hours), Namibia (288 hours) and Kenya (276 hours). All these economies have VAT. Figure 2.35 shows that the compliance activities to prepare the tax figures take up the most time.

Latin America and the Caribbean is the region where it takes the longest time to comply. Looking at just the continental economies of South America in figure 2.36, it takes on average 641 hours (or 16 weeks). This is by far the highest time for any region. Ten of the twelve economies are above the world average of 282 hours. In four economies, more than 600 hours are needed. In Brazil, it takes the longest time in the world.

**Figure 2.35**

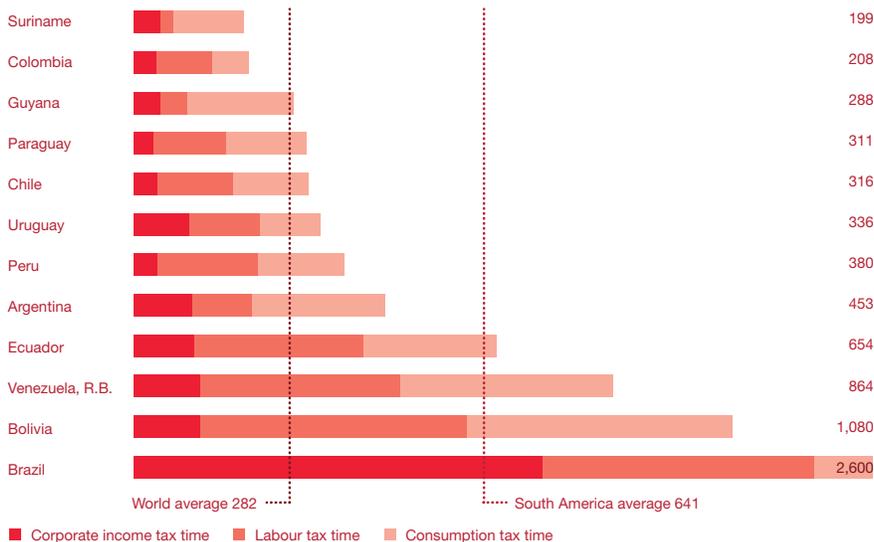
**Time to comply with VAT in selected African economies compared to the world average**



**Note:** The chart compares the time to comply with consumption taxes in selected African economies split by type and compliance activity compared to the world average for consumption tax systems.  
**Source:** PwC analysis

**Figure 2.36**

**Hours to comply in South American economies**



**Note:** The chart shows the hours to comply for the economies in South America, split by type of tax compared to the South America and world average.  
**Source:** PwC analysis

**Figure 2.37**

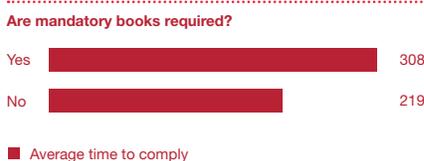
**Comparison of hours to comply in Venezuela with the world average**

| Type of tax               | World average | Venezuela |
|---------------------------|---------------|-----------|
| Corporate income tax time | 71            | 120       |
| Labour tax time           | 102           | 360       |
| Consumption tax time      | 109           | 384       |
| Total                     | 282           | 864       |

**Note:** The table compares the time to comply in Venezuela to the world average.  
**Source:** Doing Business database

**Figure 2.38**

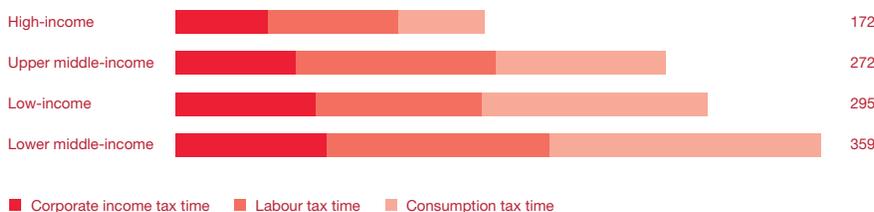
**The requirement to keep mandatory books solely for tax purposes adds to the time to comply**



**Note:** The chart shows that the time needed to comply is much higher if mandatory books are required solely for tax purposes.  
**Source:** PwC analysis

**Figure 2.39**

**Hours to comply by income level**



**Note:** The chart shows the average hours to comply by income level using the World Bank Group Development indicators, split by type of tax.  
**Source:** Doing Business database

Figure 2.37 shows a breakdown of hours in Venezuela compared to the world average. In Venezuela, it takes two-thirds more time to comply with corporate income tax than the world average, and three and a half times as long for both labour taxes and consumption tax. The requirement to keep mandatory books solely for tax adds to the time needed. In Venezuela, 348 hours out of the total of 864 are taken in preparing and maintaining tax books (40% of the total time). Figure 2.38 shows the average time across all economies reduces by 89 hours, or 11 days, when no extra books and records are required just for tax.

As shown in figure 2.39, it takes less time to comply in high-income economies (with an average time of 172 hours) than in other less wealthy economies. This applies across all three types of taxes. The difference isn't a result of having fewer taxes to comply with (the average number of taxes is 9.3 for high-income countries and 10 for low-income countries). Instead, this is a reflection of more mature tax systems, a lighter administrative touch, and more use of the electronic interface between taxpayers and tax authorities in the high-income economies. The highest time needed to comply is in low-income and lower middle-income economies.

# The impact of tax administration on business

The Paying Taxes results measure both the cost of taxes and the compliance burden for business. The indicator does not however cover all aspects of tax administration and how, for example, the different approaches of tax authorities can impact business. Over the last three years, a list of supplementary (non-indicator) questions has been developed, with the help of interested parties, and added to the Paying Taxes questionnaire. The responses are used to provide further insights into tax administration.

## It takes longer to comply where tax rules are complex



**Note:** The chart compares the time to comply in economies where contributors consider tax rules are (1) simple and very simple and (2) complex and very complex.  
**Source:** PwC analysis of non-indicator data

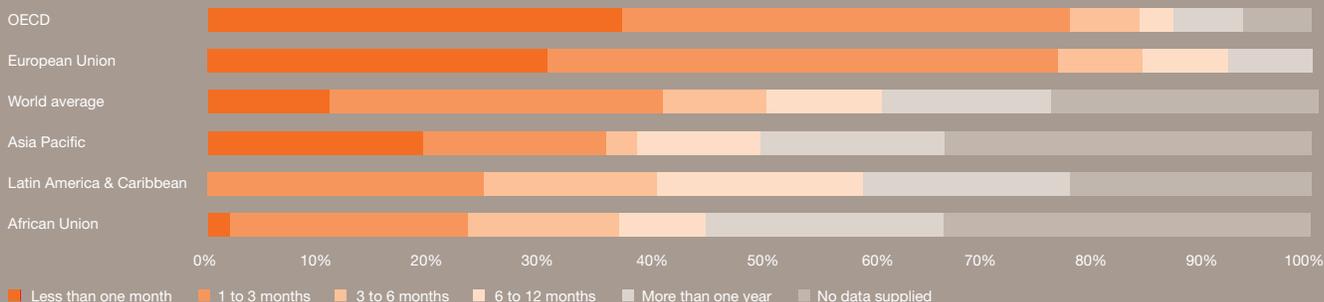
Contributors around the world are asked to give their views on a number of additional aspects of tax administration such as: the clarity of the tax rules and helpfulness of guidance notes issued; how long is it likely to take to receive a tax refund; and how easy or difficult it is to deal with a tax audit. Last year, a selection of results from PwC's analysis was included in the *Paying Taxes 2010* study. This year, our intention is to publish the results separately in 2011. However, we include here a small preview of our analysis.

Contributors were asked to express a view on: "How simple or complicated are the tax rules in your country?" 41% of economies responded that the rules are 'very simple' or 'simple' and 44% that they are 'complex' or 'very complex' (15% of economies did not answer). Correlating these results to the hours needed for compliance activities shows that compliance time rises by 40% on average where tax rules are complex.

Contributors were also asked whether different taxes levied on the company were administered by the same or separate tax authorities. 80% of the economies responding said that indirect taxes are administered by the same tax authority as corporate income tax - so this seems to be a best practice. Figure 2.31 shows that the average time to comply rises by 31% in the economies where there is a separate authority for indirect taxes. Conversely, 75% of economies said that social security contributions are administered by a separate tax authority. In this case, the average compliance time is also longer by 30%.

The tax authority requirement to keep mandatory books solely for tax, or to submit additional documentation with tax returns, also adds to the compliance burden. Figure 2.38 shows that mandatory books increase the average compliance time by 41%. Figure 2.31 shows that it takes 70% more time to comply when invoices have to be submitted with VAT returns.

### How long is it likely to take in practice for a company to receive a refund



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

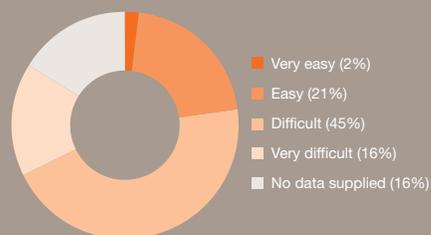
The approach of the tax authorities is an area that concerns contributors around the world. In 102 economies (67% of those responding) contributors said that this is an area of their tax system that needs to be improved. As one measure of the efficiency of tax authorities, we also asked: “In a typical situation, how long is it likely to take in practice for a company to receive a VAT or withholding tax refund?” The results show that it takes the least time in the large, developed economies of OECD, with 83% of OECD economies responding that it would typically take three months or less. It takes longest in the less developed economies of Latin America & Caribbean and the African Union. 24% of economies responding in Latin America and the Caribbean, and 32% in the African Union, said it would typically take more than a year. In economies where it takes longer to receive a refund, it also tends to take longer for compliance activities (see figure 2.29 - comparison of hours to comply by region).

Dealing with tax audits and disputes is the area of their tax system that contributors around the world most want to improve. A tax audit can be the most difficult interaction that a business has with the tax authorities and 120 economies (79% of those responding) said this area of their tax system needs improvement. 61% of all the economies in the study said that, in their opinion, dealing with a tax audit in their country was ‘difficult’ or ‘very difficult’.

An independent and effective appeal process is clearly an important aspect of good tax administration from the taxpayer’s perspective. Contributors in 7% of the economies said there is no independent body to which a taxpayer can appeal against a tax authority’s decision, and 12% did not answer this question. And in the economies where there is an independent process, it is often considered to be inefficient. In economies where the process is considered to be efficient, tax audits are easier. 48% of contributors in economies where the independent appeal process is efficient said dealing with a tax audit was ‘easy’ or ‘very easy’, compared to only 15% in economies where the independent process is considered to be inefficient.

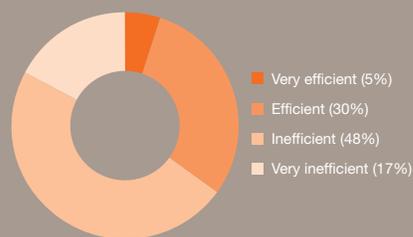
The data provided in response to the list of supplementary (non-indicator) questions is not used to calculate the results for Paying Taxes. But we suggest that it can be used to provide additional insights into tax systems and tax administration, and can potentially help governments as they review their own systems and prioritise areas for reform. Analysis of the supplementary data is ongoing and will be published in 2011.

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



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

### In your opinion, how efficient is the independent appeal process in your country?



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

## The number of payments

The number of payments measures the number of times the case study company has to pay taxes in the year and how it makes these payments. It includes all taxes, whether these are levied on the company, or like VAT, are administered by it. It provides a measure of the number of taxes which must be complied with. It also takes into account the method of payment and the use of electronic filing and payment. Where the majority of businesses, like TaxpayerCo, file and pay their taxes online in an economy, the number of actual payments is reduced to one, to reflect the efficiencies of going electronic. Also, where taxes are paid through a third party, such as fuel tax paid to the fuel distributor, the number of payments is taken as one to reflect the lack of compliance burden.

As an example of the number of payments, figure 2.40 shows the calculation for Peru. TaxpayerCo makes monthly payments of corporate income tax, social security contributions, industrial corporations' contribution, and VAT. However, these are all reduced to one payment per tax in the indicator to reflect the status of online filing and payment in Peru. The remaining taxes are either paid annually (for example, real estate tax), paid jointly (net assets tax with corporation income tax) so that no separate payment is required, or are embedded in a payment to a third party (fuel tax). Our company makes 54 actual tax payments in the year, but this is reduced to nine for the number of payments indicator.

*'the results for Peru are favourably affected by the status of online filing and payment'*

Figure 2.41 shows the number of payments for Peru by type of tax. Figure 2.42 compares the result for Peru with that for other economies in Latin America and the Caribbean and the world average. It shows how the results for Peru are favourably affected by the status of online filing and payment.

Figure 2.40

### The number of payments calculation for Peru

|                                      | World Bank Indicator | Actual payments    | Notes            |
|--------------------------------------|----------------------|--------------------|------------------|
| Corporate income tax                 | 1                    | 13                 | Online           |
| Net assets tax (ITAN)                | 0                    | 1                  | Paid jointly     |
| Social security contributions        | 1                    | 12                 | Online           |
| Industrial corporations contribution | 1                    | 12                 | Online           |
| Value Added Tax                      | 1                    | 12                 | Online           |
| Financial transactions tax           | 1                    | 1                  | Embedded payment |
| Real estate tax                      | 1                    | 1                  | Annual payment   |
| Vehicle tax                          | 1                    | 1                  | Annual payment   |
| Arbitrios                            | 1                    | 1                  | Annual payment   |
| Fuel tax                             | 1                    | On each refuelling | Embedded payment |
| <b>Total</b>                         | <b>9</b>             | <b>54</b>          |                  |

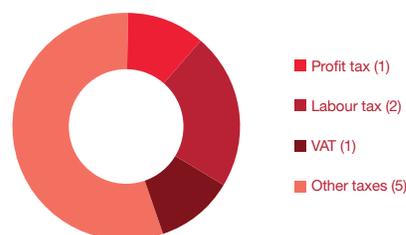
Note: The table shows an example of the calculation of the number of payments for Peru  
Source: Doing Business database

As shown in figure 2.1, the average number of payments for all economies in the study is 29.9 - 3.7 for profit taxes, 12.1 for labour taxes and social contributions, and 14.1 for other taxes. Figure 2.43 shows the distribution of the results for the number of payments across all 183 economies. There is a lesser concentration of results than for the other two sub-indicators, but a good proportion of economies fall within the range of 6 to 35 payments (116 economies or two-thirds of the total). Six economies have fewer than six payments and 61 economies have more than 35. Figure 2.44 compares the distribution of results with those in *Paying Taxes 2006* and shows the downward trend. In *Paying Taxes 2006*, the global average number was 33.8 payments. Five years ago, only 97 economies were in the range of 6 to 35 payments.

Figure 2.45 lists the economies at the lower end of the results (with less than five payments) and the higher end (with more than 70 payments). These provide useful examples of the impact on the results for this indicator of both the number of taxes levied, and the efficiencies of online filing and payment.

Figure 2.41

### The number of payments for Peru



Note: The chart shows the number of payments for Peru split by type of tax  
Source: Doing Business database

Figure 2.42

### The number of payments for Peru compared to Latin America and the Caribbean and world average



Note: The chart compares the number of payments for Peru with the Latin America and the Caribbean and world average.  
Source: PwC analysis

**Figure 2.43**

**Distribution of the number of payments results – In 116 economies there are between 6 and 35 payments.**

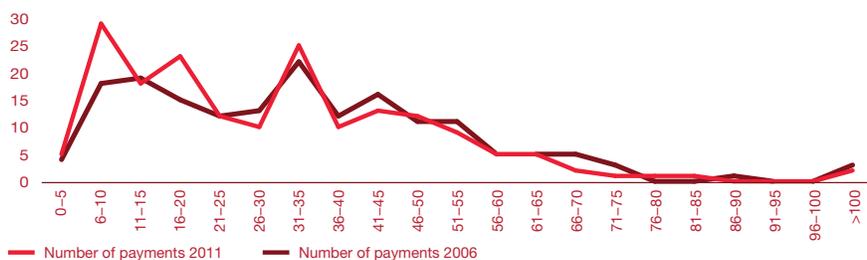


**Note:** The chart shows the distribution of results number of payments  
**Source:** PwC analysis

As previously mentioned, Sweden follows best practice and levies just one tax per base. Four of the five taxes are jointly filed and paid online, resulting in just two payments for the number of payments result - the lowest in the world. Norway follows a similar approach with just four taxes (corporate income tax, social security contributions, VAT and fuel tax) and four payments. Maldives and Qatar have few taxes and therefore few payments, and Hong Kong does not levy a consumption tax on TaxpayerCo.

**Figure 2.44**

**The trend in results for the number of payments since the first study – In Paying Taxes 2006, only 97 economies were in the range 6 to 35 payments**



**Note:** The chart shows the distribution of results for the number of payments in *Paying Taxes 2011* compared to in *Paying Taxes 2006*.  
**Source:** PwC analysis

In contrast, economies at the higher end of the results levy numerous taxes (12.6 on average). And electronic filing and payment is either not available or not widely used. For example, in Romania, the company pays 17 different taxes which is well above both the world (9) and European Union (11) averages. The company makes monthly payments for VAT and for each of seven different labour taxes. It also makes quarterly payments for corporate income tax and 13 other payments across eight other taxes. There is no reduction in the actual number of payments as there is no electronic interface with the tax authorities. Regular payment of (therefore smaller amounts of) taxes can provide real cash flow benefits to businesses like TaxpayerCo and also assist government revenues. But multiple taxes per base are an additional compliance burden. Electronic interface can provide real benefits to both business and government.

**Figure 2.45**

**List of low and high number of payments economies by region**

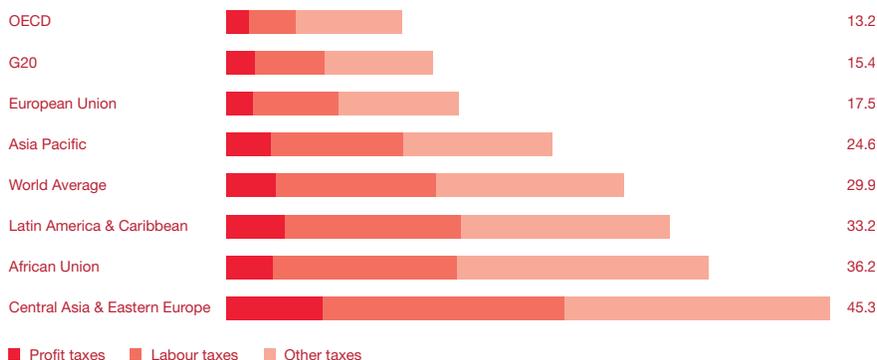
| Low number of payments |                  |          | High number of payments       |            |          |
|------------------------|------------------|----------|-------------------------------|------------|----------|
| Region                 | Economy          | Payments | Region                        | Economy    | Payments |
| Asia Pacific           | Hong Kong, China | 3        | Central Asia & Eastern Europe | Montenegro | 77       |
|                        | Maldives         | 3        |                               | Belarus    | 82       |
| Europe                 | Norway           | 4        |                               | Ukraine    | 135      |
| EU                     | Sweden           | 2        | EU                            | Romania    | 113      |
| Middle East            | Qatar            | 3        | Latin America & Caribbean     | Jamaica    | 72       |

**Note:** The chart lists economies with a low number of payments (less than five) and a high number of payments (greater than 70)  
**Source:** *Doing Business* database

Figure 2.46 shows the average number of payments by regional grouping. The lowest average number of payments is found in the OECD economies (13.2), G20 economies (15.4) and the EU (17.5), while Latin America and the Caribbean (33.2), the African Union (36.2) and Central Asia and Eastern Europe (45.3), all have results above the world average.

**Figure 2.46**

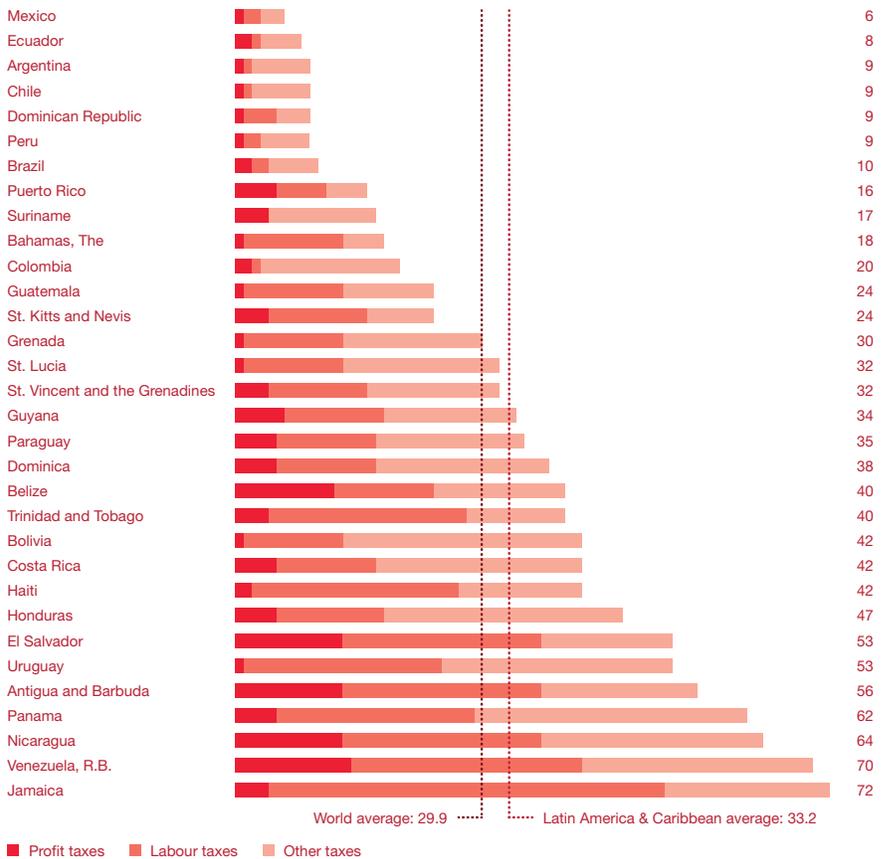
**Comparison of number of payments by region**



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

**Figure 2.47**

**The number of payments in the Latin America and Caribbean region**



**Note:** The chart shows the number of payments for economies in Latin America and Caribbean compared to the regional and world average.

**Source:** PwC analysis

*‘the reason why the larger, or more developed economies, have fewer payments is not that they have fewer taxes, but that they are more advanced in terms of online filing and payment’*

A comparison of figure 2.7 (the average number of taxes by region) and figure 2.46 (the average number of payments by region) shows clearly that the reason why the larger, or more developed economies, have fewer payments is not that they have fewer taxes. The G20, OECD and European Union all have an average number of taxes above the world average, while Latin America and the Caribbean, and Central Asia and Eastern Europe are below this. The reason is that the larger and more developed economies are more advanced in terms of online filing and payment. In the European Union, for example, only three economies do not have reduced results across all the main taxes due to online filing and payment.

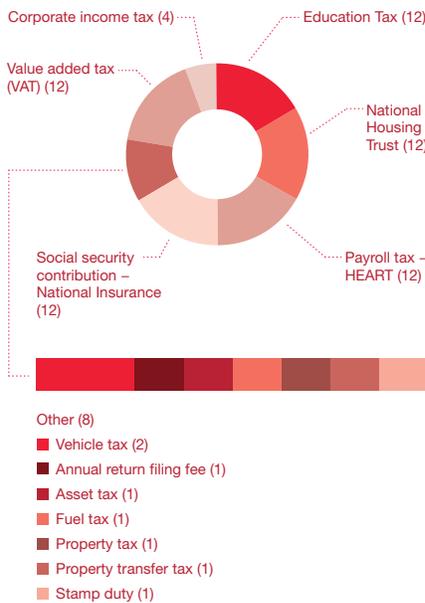
The results for the number of payments also vary within a region, driven by the number of taxes levied and online status. Figure 2.47 shows the range of results in Latin America and the Caribbean. At 33.2 payments, the regional result is slightly above the world average, but the results range from 6 payments in Mexico to 72 in Jamaica. Peru and Jamaica provide a good example. In Peru, the company pays nine taxes, as shown in figure 2.41, but the number of payments is reduced from the actual number of 53 to 9 for the sub-indicator. In Jamaica the company pays 14 different taxes and there is no reduction in the number of actual payments made of 72. There has been no change to the figures in Jamaica in the six years of the study. Both Peru and Jamaica show how taxes other than the main three types (corporate income tax, labour taxes, VAT) add to the results. In Peru there are six other taxes requiring five payments. And, in Jamaica, nine other taxes require 20 payments. Figure 2.48 shows the number of payments for Jamaica by tax.

The world average number of payments for all economies in the study has fallen by 0.6 in the last year. The region that has seen the biggest change in the last year is Central Asia and Eastern Europe where the average number has fallen by 4.2. This has been driven by a reduction in payments of other taxes. Figure 2.49 compares the average number of payments in this region for the last two years. Significant reductions have been made in Belarus, the Kyrgyz Republic and Montenegro. In Belarus, the number of payments fell as the frequency of payment reduced from monthly to quarterly for several taxes, including property tax, ecological tax and the transport duty. Also, electronic systems became more widely used in Belarus for VAT, corporate income tax and labour taxes. In the Kyrgyz Republic, the number of payments required for corporate income tax, property tax and land tax were reduced. In Montenegro, the elimination of construction land tax and the requirements for advance payments for corporate income tax reduced the number of payments.

Figure 2.50 shows that the high-income countries tend to have the lowest number of payments, as well as the lowest time needed to comply, and the lowest tax cost. As already mentioned this does not result from a lower number of taxes, but from a more advanced status of online filing and payment. Low-income countries have the highest number of tax payments.

**Figure 2.48**

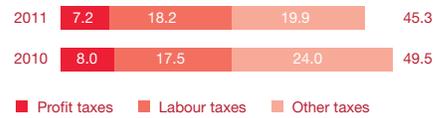
The number of payments for Jamaica by tax



**Note:** The chart shows the number of payments for Jamaica split by type of tax.  
**Source:** *Doing Business* database

**Figure 2.49**

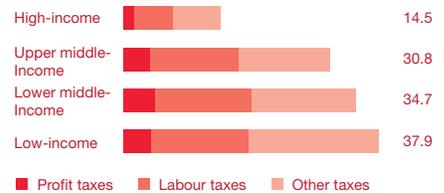
The trend in number of payments for Central Asia and Eastern Europe



**Note:** The chart compares the average number of payments for the Central Asia and Eastern Europe region between *Paying Taxes 2010* and *Paying Taxes 2011*.  
**Source:** PwC analysis

**Figure 2.50**

Number of payments by income level



**Note:** The chart shows the average number of payments by income level, using the World Bank Development indicators, split by type of tax.  
**Source:** *Doing Business* database

## What the results show

### Paying taxes getting easier

Paying taxes has got easier around the world. Over the last five years, the global average TTR has fallen by 5.9% (more than 1% each year), the time to comply by 47 hours (more than nine hours each year) and the number of payments by four.

### Most change in Central Asia and Eastern Europe

In the last year, the biggest change was in Central Asia and Eastern Europe where the TTR dropped by 3.1%, the time to comply by 16 hours, and the number of payments by five.

### Corporate income tax only part of the burden

Corporate income tax is only part of the burden of taxes on business. Around the world, the company pays on average 9.4 taxes. Corporate income tax accounts for just 12% of the tax payments made, 25% of the compliance time, and 38% of the TTR.

### One tax per base is best practice

Some economies levy multiple taxes per tax base and this can increase the compliance burden on business (the time to comply and the number of payments). Levying one tax per base is a best practice, and 50 economies do this. Having one tax per base does not affect the level of taxes raised.

### Low TTRs are not necessarily a good model

The average TTR in Paying Taxes is 47.8% of commercial profits. Economies with lower TTRs are not necessarily the better model. What is important is that taxes are well spent to provide a stable business environment, good infrastructure and better quality of life for citizens.

### TTR highest in the African Union

The African Union has the highest average TTR, driven by costly cascading sales taxes in five economies. In the African Union, corporate income tax is also the highest percentage of commercial profits, but employer taxes and social contributions are below the world average.

### Statutory corporate income tax is not a good indicator of tax actually paid

The statutory rate of corporate income tax is often not a good indicator of the rate of tax paid. We measure actual taxes paid, and provide examples of reductions in the rate paid due to generous allowances, and increases where business expenses are not deductible.

### Labour taxes highest % of TTR in the EU

Labour taxes and contributions levied on the employer are the highest percentage of commercial profits in the European Union. They make up the majority of the TTR in many European Union economies.

### Seven weeks to comply with the three major taxes

On average it takes 282 hours, or seven weeks of full-time work, to comply with the three main types of taxes. This has fallen by only four hours in the last year, suggesting that the rate of reform in this area has slowed around the world. We suggest that even more focus needs to be given to reducing the compliance burden.

---

### **Consumption taxes are the most time-consuming**

Consumption taxes (mainly VAT) are the most time-consuming of the taxes, and this can be heavily affected by tax authorities' administrative practices. Our research shows that it takes more time to comply if indirect taxes are administered by a different tax authority, and also if invoices have to be submitted with the VAT returns.

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### **Labour taxes most time-consuming in the EU**

In the European Union, the most time-consuming taxes are labour taxes and contributions, with compliance time above the world average. This includes the time needed to administer employee taxes through the payroll. Many European Union economies have multiple labour taxes and this can increase the time to comply.

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### **Longest compliance time in South America**

It takes the longest time to comply on average in the South American economies. All the taxes are more time-consuming, and this is often increased by the need to keep additional books solely for tax purposes.

---

### **Over 29 payments made on average each year**

The number of payments indicator measures the number of times the company has to pay taxes in the year and how it makes these payments. The average number of payments around the world is 29.9. The number is lowest in the OECD economies (13.2) and highest in Central Europe and Eastern Europe (45.3).

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### **One tax per base = fewer tax payments**

Economies which levy one tax per base have a fewer number of payments, while the economies with the most payments levy numerous taxes.

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### **Online filing has positive effect on number of payments indicator**

Economies which have delivered the efficiency gains of online filing and payment of taxes, for government and business, also do well on the number of payments indicator. In these circumstances, the number of actual payments is reduced to one per tax.

---

### **Good tax administration is important for business.**

The approach of the tax authorities and dealing with a tax audit or disputes are the aspects of the tax system that contributors around the world most want to improve. Contributors in economies where there is an independent and efficient appeal process found dealing with audits and disputes easier than those economies where this is not the case.

---

### **Lowest tax cost and compliance burden in high-income economies**

High-income economies have the lowest average tax cost and the lowest compliance burden, reflecting mature tax systems, a lighter administrative touch, and more use of electronic interface between taxpayers and tax authorities. Low-income economies have higher taxes on average and more burdensome compliance procedures. It is important to look to good practices and models to help increase tax compliance and collection in developing economies.

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## *Using the Paying Taxes data around the world*

|                          |    |                        |    |
|--------------------------|----|------------------------|----|
| <b>Australia</b>         | 52 | <b>Malaysia</b>        | 62 |
| <b>Brazil</b>            | 53 | <b>The Netherlands</b> | 63 |
| <b>Canada</b>            | 54 | <b>Nigeria</b>         | 64 |
| <b>China</b>             | 55 | <b>Poland</b>          | 65 |
| <b>Côte d' Ivoire</b>    | 56 | <b>Romania</b>         | 66 |
| <b>Czech Republic</b>    | 57 | <b>Singapore</b>       | 67 |
| <b>The GCC countries</b> | 58 | <b>South Africa</b>    | 68 |
| <b>Ghana</b>             | 59 | <b>Switzerland</b>     | 69 |
| <b>India</b>             | 60 | <b>United Kingdom</b>  | 70 |
| <b>Republic of Korea</b> | 61 | <b>Zambia</b>          | 71 |

## Australia

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 47.9% | 52.8% |
| Number of hours    | 109   | 107   |
| Number of payments | 11    | 13    |

## Reform to meet the challenges of the 21st century

### Tim Cox, PwC Australia

Both government and business understand the problems with Australia's taxation system and the importance of major tax reform. In May 2008, the federal government initiated a review of Australia's Future Tax System (AFTS). The purpose of this review was to consider all aspects of the tax system, other than Goods and Services Tax. The review team was given 18 months to report to government which it did in December 2009. The government released the AFTS report in May 2010.

The review made 138 recommendations which were designed to develop a tax system which would better position Australia to deal with the challenges of the 21st century. The review's recommendations focused on changes that would make Australia's tax system more competitive internationally, reduce its complexity, and enhance its equity and fairness. At the outset of the review, 125 taxes were identified in Australia - over half of which impact business. Yet 90% of revenue is raised by only ten of these taxes. This headline finding was consistent with PwC Australia's study of the Australian tax system using the PwC Total Tax Contribution (TTC) framework. Released in 2007, this study was the first to highlight the impact of the tax system on Australia's largest businesses. The study identified that 55 taxes are levied on business by federal and state governments. It also highlighted the structural inefficiency of Australia's tax system and the obstacle that this presents to economic growth.

The Paying Taxes studies have reinforced these concerns about the complexity of Australia's tax system, and the importance of tax reform. Australia's ranking in the Paying Taxes studies has gradually slipped over recent years, as other countries have reduced tax rates and improved or addressed complexity in their own systems. In other words, Australia has been going backwards in terms of global competitiveness.

The 138 recommendations from the AFTS review included proposals to rationalise the 125 taxes to four efficient broad-based taxes (personal income, business income, rents on natural resources and land, and private consumption). Other taxes should exist only to improve social outcomes or market efficiency. Over time, other taxes would be abolished.

The AFTS review recognised the increasing uncompetitiveness of Australia's corporate income tax rate and recommended it be reduced from 30% to 25%.

It is clear that the kind of tax reform needed in Australia will take many years to achieve. As yet, very few of the 138 recommendations have been endorsed by the government, with many already rejected. There are proposals to reduce the company tax rate to 29% from 2015, which is to be funded by a significant new tax on the resources sector. So far, there is no commitment to remove any of the existing taxes in Australia. All sectors of the community recognise that hard decisions will be necessary to broadly execute the AFTS review recommendations.

Interestingly, there was a long and heated debate in the lead up to the August federal election over proposals for a new resource tax. The original proposal was highly criticised by industry, as well as by many commentators. This debate also highlighted the divergent views between government and the industry with regards to the current amount of tax paid by the mining industry. This reinforced the importance of having transparent and objective measures to evaluate the impact of the tax system on business.

## Brazil

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 69.0% | 68.8% |
| Number of hours    | 2,600 | 2,600 |
| Number of payments | 10    | 10    |

## Recognising a need for change

### Carlos Iacia, PwC Brazil

The Brazilian economy is currently facing a period of expansion, attracting a large volume of inward investment. To fully embrace this opportunity, it is essential for the country to offer a legal, regulatory and tax environment which is stable, clear and streamlined, and in which foreign investors can operate with ease.

From a tax perspective, there is much to be done - and this is illustrated by the figures presented in the Paying Taxes study. The tax burden for Brazil is shown to be high, with a tax system composed of many confusing laws and rules issued by the federal, state and municipal tax authorities. These result in taxpayers spending a large amount of time trying to keep up-to-date with the system in order to be able to perform the calculations, then prepare and send the information to the tax authorities, and pay their taxes.

The Paying Taxes study highlights that Brazil has a difficult tax system when compared to other economies around the world. It has shown this same picture in each of the six years that it has been carried out. This has resulted in regular commentary in the Brazilian media, and recognition from the Brazilian tax authorities that there is a need for change.

It is hoped that the new Public System of Digital Bookkeeping (Sistema Público de Escrituração Digital or 'SPED') may lead to improvements for Brazil. Once fully implemented and integrated by the tax administrations, the expectation is that fewer communications to government will be required which may result in a reduction in compliance time. The system will be controlled automatically, eliminate significant amounts of paperwork, and reduce the time to comply with legislation changes, and to check and audit information. The system will cross-check all information and identify mistakes, rationalising the process.

The tax authorities are strongly committed to making the new system mandatory for all companies, and most large companies are already participating in it. Many tax obligations and procedures are already electronic for taxpayers, while others are still in the transition process.

However, the benefits of SPED for the taxpayer have yet to be seen as the transition to this new system is likely to last for a couple of years. So far, SPED has required additional effort and cost from companies who have needed to invest significantly to prepare their staff for the change, and to implement new systems to comply with all the processes.

2010 is an election year in Brazil. However, despite tax reform being on their agenda, politicians are yet to focus on this as a key priority. In addition to the results from the Paying Taxes study, there are many other influential institutions that are pointing to the need for reform and a simplified tax process, with a particular focus on addressing complex VAT issues between the states of Brazil. The system currently requires exchange of information and division of tax income among the 26 states and the Federal District. This has for some time been the source of significant conflict between the states, often referred to as the 'fiscal war', and has hindered the reform and development of the tax system.

Despite these issues, with the government's introduction of SPED and growing recognition within society more generally that the tax system needs to change, it appears that the initial steps towards tax reform have been taken.

## Canada

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 29.2% | 49.1% |
| Number of hours    | 131   | 119   |
| Number of payments | 8     | 9     |

### **Reducing the tax burden to stimulate growth and restore confidence**

#### **Saul Plener, PwC Canada**

Federal and provincial business taxes in Canada have been substantially reduced recently to an historical low of 29.2%. This is largely due to enhancements in the annual capital allowance cost allowance (CCA) deduction for investments in eligible manufacturing and processing machinery and equipment and in computers. As a result, Canada is the only G20 economy in the top ten list for the ease of paying taxes. Further changes have been legislated and by 2012, Canada will have one of the lowest statutory combined federal and provincial corporate income tax rates in the G7 group of industrialised nations at 25%.

Although the time to comply has increased to 131 hours from 119 in 2006, there are ongoing efforts to reduce compliance costs and make the tax system more efficient through initiatives such as increased harmonisation of federal and provincial income and sales taxes. For example, in 2009, the federal government began to administer the province of Ontario's corporate income tax system. As a result, businesses are now able to combine tax payments and file a single corporate tax return.

In addition, effective 1 July 2010, a Harmonised Sales Tax, based on the same rules as the federal Goods and Services Tax, replaced the provincial sales tax system in British Columbia and in Ontario. Given their effective dates, the compliance savings of these initiatives will not have been fully captured in the current Paying Taxes study.

Additional initiatives were also undertaken in 2010. Starting from the 2010 taxation year, certain companies with annual gross revenues exceeding \$1 million are required to file their corporate income tax returns online. In its 2010 budget, the federal government eliminated tax on the disposal of certain types of taxable Canadian property by non-residents and the related section 116 reporting. This measure should also help Canadian businesses to attract foreign venture capital and investment. However, the federal government proposed a new reporting regime for aggressive tax avoidance transactions and increased reporting for transactions with non-arm's length non-residents. These measures will increase the administrative burden for Canadian taxpayers.

The federal government also announced that it intends to look at introducing a system of loss transfers or consolidated reporting for corporate groups. Among other things, this would allow Canadian companies to avoid having to undertake complex reorganisations and transactions to transfer tax losses among related companies. Currently, Canada is the only country within the G7 with no form of tax consolidation regime.

The federal government remains focused on improving the competitiveness, efficiency and fairness of the Canadian international tax system and has implemented some of the recommendations made by the Advisory Panel on Canada's System of International Taxation. It has indicated that it will continue to review the other recommendations made by the Advisory Panel.

These initiatives are aimed at stimulating economic growth, and restoring confidence following the global economic recession. The Canadian government is aware that it must stay the course in reducing corporate tax rates and easing administrative burden for Canadian taxpayers to remain internationally competitive.

## Côte d'Ivoire

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 44.4% | 48.4% |
| Number of hours    | 270   | 270   |
| Number of payments | 64    | 66    |

### **Reducing the informal economy without increasing the burden for the businesses that do pay tax**

#### **Dominique Taty, PwC Côte D'Ivoire**

The Ivorian authorities and business world first took notice of Cote d'Ivoire's rankings in the *Doing Business* and *Paying Taxes 2010* publications during a business forum held in November 2009. The forum was organised under the aegis of the Ministry of Economy and Finance and the Ministry of Industry, with support from the private sector. Employers and the Ivorian Chamber of Commerce also took part. The key objective of the forum was to focus the attention of government and business on the need to improve the business environment, and to initiate innovative reform. The Paying Taxes results for the Cote d'Ivoire are of significant interest. But, although efforts are made every year by the tax administration to improve competitiveness for business, major tax problems still persist. The Total Tax Rate has fallen in Cote D'Ivoire, mainly because of a reduction in the corporate income tax rate and the removal of the contribution for 'national rebuilding'. But the Ivorian tax administration is increasingly concerned by the extent of tax evasion given the considerable growth of the informal sector (i.e. undisclosed small enterprises). Therefore, for several years,

it has devoted its energy to broadening the tax base, in order to bring as many of the people operating illegally as possible into the formal tax net. The introduction of a standard invoice, and numerous requirements for businesses to make tax deductions at source on income paid to third parties, are key measures implemented by government to achieve this goal. But while the deduction of tax at source does not create additional tax expense for businesses in the formal sector, the introduction of 'declaratory obligations' does increase the administrative burden for these companies in the management of taxes. This is reflected in the time to comply of 270 hours. It is clear that while reducing tax evasion is the primary goal of the government, the simplification of these measures to ease the burden on business remains a major issue which has still to be addressed. The number of payments indicator for Cote D'Ivoire in *Paying Taxes 2010* was 66, putting the country among the ten countries with the highest number of payments in the study. A high number of taxes and a lack of electronic filing are the key reasons for this. The number of payments has fallen by only two payments to 64 in the 2011 report. There has not been any significant abolition of taxes.

Another major tax problem worth mentioning, which goes beyond the scenario captured by the Paying Taxes case study company, is the non-reimbursement of VAT credits. It is estimated that, by 31 December 2010, the amount in unpaid credits will stand at over US\$200 million - and this at a time when, in the current economic climate, businesses have a considerable need for cash. Under the Ivorian tax system, VAT should not be an expense for businesses, and VAT credits should

be automatically refunded. The ongoing non-reimbursement of VAT credits currently represents a significant fiscal expense. The employers' federation has had some success in its efforts to resolve this issue, resulting in the introduction of an initiative in the 2011 fiscal budget to exempt some agricultural export businesses from VAT. However, this measure does not deal with the overall problem of outstanding VAT credits which is still an issue for the broader business community.

Simplifying the tax administrative system, and relieving the fiscal pressures that fall on businesses in the formal economy, remain major challenges for the tax authorities. At the same time, broadening the tax base and reducing the extent of the informal economy are still major priorities for government. It appears that the government currently feels that the best way to address the evasion issue is to solicit the help of business in the formal economy. But this in turn is increasing the burden on these businesses. The absence of improvement in the Paying Taxes indicators for Cote D'Ivoire illustrates this point and highlights the need to change this mindset. Increasing awareness of the Paying Taxes results among the Ivorian authorities is helping to draw attention to the need for urgent reform. PwC Cote D'Ivoire continues to make representations on tax issues for the annual fiscal budget in conjunction with the Tax Commission of the Employers' Federation.

## China

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 63.5% | 80.0% |
| Number of hours    | 398   | 872   |
| Number of payments | 7     | 35    |

### **Major changes make paying taxes much easier**

#### **Rex Chan, PwC China**

With improvements made to the tax compliance system and the implementation of a series of tax reforms, China has made remarkable progress in reducing the tax cost and the compliance cost for taxpayers over the past few years. The Paying Taxes results illustrate this progress, showing a trend of paying taxes becoming easier for the case study company in China. Improvements have been made in all three areas measured in the study.

The fall in China's Total Tax Rate arose mainly from the Corporate Income Tax (CIT) reform in 2008, which unified two separate enterprise income tax regimes for domestic enterprises and foreign investment enterprises into a single regime. It also reduced the standard tax rate from 33% to 25%. Being a qualified small and thin-profit enterprise, the CIT rate for TaxpayerCo was reduced to an even lower rate of 20%. The removal of a deduction limit for salary expenses, pre-operating expenses, etc. also lowered the tax liability.

The significant reduction in hours to comply was largely due to the increased use of the electronic tax filing and payment system in 2007. Over the past few years, China has made great efforts to expand and facilitate the use of electronic filing and payment. In the past, taxpayers usually needed to make separate visits to the tax office to file taxes and then to the bank to settle the tax payments. After this, taxpayers would have to visit the tax office again to submit the tax payment receipt. The result was long queues at the tax office and at the bank, which added a large amount of waiting time to the hours included in the time to comply indicator. Following the introduction of the electronic tax filing and payment system, the taxpayer now only has to visit the tax office once to submit the final tax filing documents.

Another contributing factor to the reduction in hours was the recent tax reform for CIT in 2008 and for VAT in 2009. The CIT reform unified and standardised the deduction rules, which reduced the time previously needed for consulting with tax authorities. The removal of certain book-to-tax adjustments also reduced the time needed to calculate taxes and prepare returns. Under the new consumption-oriented VAT system, the recovery of input VAT incurred on the purchase of fixed assets is no longer disallowed. This has reduced not only the tax burden on investing in equipment, but also the time for VAT filing, as it is no longer necessary to sort out the purchase invoices for fixed assets and related items when claiming input VAT credit.

The reduction in the number of payments in China is also due to the wider use of the electronic tax filing and payment system.

In addition to the above, China has been concentrating on developing the skills of the local-level tax administration and tax collection teams. Nowadays, more and more taxpayers feel that their queries can be easily dealt with by the tax officials and that the quality of their interactions with them has greatly improved. The well-known tax hotline '12366' has become another important resource that taxpayers can use when they have questions relating to daily tax compliance issues in China.

## Czech Republic

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 48.8% | 49.6% |
| Number of hours    | 557   | 930   |
| Number of payments | 12    | 27    |

### **Simplified and more efficient tax administration to benefit both government and business**

#### **Lenka Mrazova, PwC Czech Republic**

The Paying Taxes publication once again captured the interest of the Ministry of Finance in the Czech Republic during 2010. The Ministry pays close attention to the report since it raises a number of interesting issues for discussion and enables a comparison of the annual results with other countries – both within central Europe and elsewhere. Since the Paying Taxes study began, the results for the compliance indicators in the Czech Republic have improved significantly. This is due to the introduction of electronic filing, simplified processes and simplified tax rates. The new Czech government, formed in 2010, has plans for further extensive changes within the tax arena, including the preparation of a new income taxes act. PwC Czech Republic will participate in this key project as part of the working group put together by the Ministry of Finance.

The current wording of the income taxes act is around 18 years old and, during this time, hundreds of amendments have been made. This has led to a complex and difficult system of exemptions and exceptions for both individuals and companies. A detailed review of the current income taxes act is an essential first step for the government. But it is likely that the legislation process will need wide political consensus and may therefore take some time to progress.

A key theme explored at the time of the *Paying Taxes 2010* launch was the need for easy communication with tax offices and transparent rules for tax inspections to help build a more cohesive and effective tax system. The Ministry of Finance recognises the importance of these issues, and from 1 January 2011, will begin a series of projects to simplify tax administration and help taxpayers become more comfortable with the system.

A new tax administration act will become effective from 1 January 2011, replacing the current tax code which has existed since the early 1990s. The original focus of the code was to combat tax avoidance, but it became complex and characterised by ambiguous terminology. As a result, the cost of tax administration in the Czech Republic has become among the highest in the EU. The new tax administration act should significantly increase the rights of taxpayers, unify and simplify the rules of the tax proceedings, and reduce the costs of tax administration and tax inspections. A more effective tax administration, with administrators specialising in different types of companies, will be established for large companies with annual turnover exceeding CZK 2 billion (USD 100 million), for banks, and for insurance and re-insurance companies. An increased number of binding rulings issued by the tax office in many more areas of taxation will also be helpful for taxpayers.

The Czech Republic's Paying Taxes results for the time spent to administer and pay taxes have been a significant incentive for the government to accelerate the implementation of a single revenue agency. Each month, Czech taxpayers are currently required to produce forms and pay taxes, social security and health insurance contributions to several independent offices. The introduction of the single revenue agency will help streamline these bureaucratic procedures and unify the administration of taxes, social security and health insurance contributions into one office. A further reform regarding how the tax base is assessed as well as restructuring the physical location of tax offices should follow soon. This will also help to reduce the number of hours required to comply with the tax system.

While it may be difficult for governments to decrease or even keep tax rates constant in times of tight state budgets, reducing the administrative burden can always be a win-win measure, delivering benefits to both government and business.

## The Gulf Cooperation Council countries

|                    | 2011 (av.) | 2006 (av.) |
|--------------------|------------|------------|
| Total Tax Rate     | 15.3%      | 15.7%      |
| Number of hours    | 57         | 63         |
| Number of payments | 14         | 14         |

## Reform in resource-rich economies

### Dean Rolfe, PwC Middle East

The Middle East region is considered by many to be a tax-free environment. While this may be true with respect to the absence of personal income tax, in most GCC countries (Bahrain, Kingdom of Saudi Arabia, Kuwait, Oman, Qatar, United Arab Emirates) it is certainly not true when considering the broader subject of direct and indirect taxation.

The subject of taxation in the Middle East is increasingly of interest to the business community, especially as governments attempt to develop and maintain economic and fiscal policies that promote foreign direct investment. This challenge is complicated by the fact that some jurisdictions in the GCC levy corporate income tax on the business activities of foreigners operating in the GCC, but not on those of their nationals or other GCC nationals. That is to say, taxation can be dependent upon citizenship in some jurisdictions within the Middle East region.

A number of international government agencies have highlighted the need for GCC governments to diversify their revenues via the development of a comprehensive fiscal policy to bring a reliable and sustainable level of government revenue (from taxation) throughout economic cycles. The absence of such a policy poses serious risks to a government's ability to manage its individual economy when free trade agreements may result in the elimination of existing forms of government revenue (specifically customs duties) and where governments rely on the sale of commodities, specifically oil and gas (which are subject to volatile price movements), as a supplementary source of revenue.

With this in mind, governments in the GCC are now looking at these challenges and are discussing fiscal policy and the need to introduce new taxes - specifically consumption taxes. The challenge, however, is that governments want to maintain a competitive fiscal landscape while at the same time generating additional tax revenue. GCC governments are not sure how to address this objective, especially when they are keen to preserve a tax-free environment.

Recent rewrites of corporate tax laws in Qatar, Kuwait and Oman are examples of change in the region. These rewrites are resulting in an expanded tax base and the collection of taxation on cross-border transactions via the introduction of withholding taxes. These developments are likely to continue and may include the introduction of new taxes.

The Paying Taxes study is a useful benchmark for the region against other tax systems and highlights what changes are being made in other jurisdictions around the world. Considering the general absence of personal and corporate income taxation for citizens of GCC countries (whether professionals, sole proprietorships or companies), it is not surprising that GCC territories currently feature prominently in *Paying Taxes 2011*.

That said, it is important to recognise that the methodology of Paying Taxes assumes local ownership. This means that, in many GCC jurisdictions, corporate income tax is not levied on the case study company. Indeed taxation in many GCC jurisdictions is limited to social security taxes and other miscellaneous indirect taxes. This is not the case more broadly in the Middle East region where corporate income tax is levied on company profits.

As indicated above, the subject of tax in the GCC is emerging as an area of focus for governments. So far, the GCC countries have maintained their lower rankings in *Paying Taxes 2011*. The challenge however is whether governments in the GCC can remain internationally competitive given the reform agenda that appears to be developing.

## Ghana

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 32.7% | 40.1% |
| Number of hours    | 224   | 304   |
| Number of payments | 33    | 37    |

### **More focus on tax administration and the compliance burden for business**

#### **Darcy White, PwC Ghana**

The Total Tax Rate (TTR) paid by TaxpayerCo in Ghana has seen a reduction from a high of 40.1% in 2006 to a current 32.7%. This is mainly due to reductions made to the corporate tax rate - from 32.5% in 2004, to 28% in 2005, and then to 25% for fiscal year 2006. Social security contribution is a significant cost in computing the TTR under the Paying Taxes methodology, as it forms part of the legal obligation/mandatory contribution for TaxpayerCo's operations in Ghana. This cost constitutes 40% of TaxpayerCo's TTR. This further stresses the point that 'other payments' made to the government are as significant as the corporate taxes paid by TaxpayerCo.

On 31 December 2009, the Parliament of Ghana gave assent to the Ghana Revenue Authority (GRA) Act. The GRA brings together all the revenue collecting agencies (Value Added Tax (VAT), Internal Revenue Services (IRS) and Customs, Excise and Preventive Services (CEPS) organisations) into one body. This is expected to improve customer service for taxpayers and bring Ghana up to international standards in terms of a tax administrative structure. However, it is yet to be seen if this new structure will have an effect on the number of payments and on the time spent making tax payments to the tax authorities. As seen from the recent PwC study on the

impact of VAT compliance on business, VAT compliance tends to be more time-consuming in countries where indirect taxes are administered by a separate tax authority to that of income tax. Currently, direct and indirect taxes are administered by different tax authorities in Ghana and these are usually at different physical locations. TaxpayerCo has to make five payments to the IRS and 12 payments to the VAT Service per annum. This contributes to the overall time of 224 hours needed to comply with TaxpayerCo's tax obligations.

As part of the GRA Act, all revenue institutions will move on to an electronic platform. Units for medium and low taxpayers will also be set up to meet the special needs of these different categories of taxpayers. This will help to improve service and reduce the number of hours that TaxpayerCo spends paying taxes and resolving issues with the tax authorities. It is not yet certain if this electronic platform will include electronic filing or electronic payment of taxes. TaxpayerCo makes 33 payments and spends 224 hours on tax compliance each year in Ghana. Part of this can be attributed to the current withholding tax system. A revision of this system, including lowering the rate and allowing selected taxpayers to pay by installment, could potentially reduce the number of hours and payments.

An important issue facing businesses in Ghana relates to VAT and withholding tax refunds. As shown in PwC's survey on tax administration, which was carried out as part of *Paying Taxes 2010*, it takes an average of three months from lodging a refund request to receiving the cash in Ghana. Although this compares favourably to other countries in the Africa Union, where a third of countries in the survey reported that it takes more than a year to receive a refund

request, this falls short when compared to economies in the OECD or EU. In these economies, at least 60% of survey respondents said the average time taken to receive a refund was three months or less.

Currently, the VAT Service requires an audit before a refund of excess VAT payment is made to a business. While VAT refunds can be received within three months on average, withholding tax refunds, on the other hand, can take over six months. Streamlining the refund process could free up cash flow needed to fund business activity.

Improving Ghana's rating in the Paying Taxes standings extends beyond reducing tax rates. Other areas which can be improved include making it easier to pay both direct and indirect taxes at the same tax office. Another option may be to merge registration for taxes within a single tax body instead of the current situation where companies have to register separately with different bodies for VAT and income taxes.

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## India

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|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 63.3% | 65.5% |
| Number of hours    | 258   | 264   |
| Number of payments | 56    | 55    |

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### ***A proposed new integrated Goods and Services Tax to reduce both the cost and compliance burden***

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#### **Rahul Garg, PwC India**

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The Paying Taxes study continues to be useful in providing objective analysis on the amount a medium-size company must pay or withhold in taxes in a given year, and on the weight of the compliance burden. The survey also continues to be a useful guide for administrative reform.

There are some interesting developments to report with regards to the tax regime in India. On the direct tax front, in 2009, the government released a new draft direct tax code (DTC) for public comment. Subsequently, in August 2010, a revised DTC Bill was tabled in parliament, aimed at simplifying the old Income Tax Law which was originally enacted in 1961. In addition, a new dual Goods and Services Tax (GST) structure has been proposed which may come into force in 2011. There are also proposals to integrate the current central and state indirect tax levies (including excise duty (CENVAT), service tax, VAT (local sales tax), entertainment tax, luxury tax, etc.) into a dual GST comprising a central GST (CGST) and a state GST (SGST). The standard rate of CGST will be 10% on goods and 8% on services. A SGST will also be levied at the same rates. The proposed rate of 10% for goods is stated to progressively decline to 8% in a phased manner, so that the combined

effect of the two GSTs will reduce to 16% from an initial 20%. It is expected that the implementation of this new GST regime will reduce the Total Tax Rate in India, as the taxes levied under a GST regime will be taxes collected, but not necessarily borne, by the case study company.

In recent years, there has been progress in the use of online filing and payment in India. The online payment facility for VAT in Mumbai is now operational and the filing process for corporate tax returns in India has become paperless following the introduction of a mandatory requirement for these tax returns to be digitally signed. Previously, the tax returns were filed electronically, but digital authentication of these returns was optional. We also understand that the Income Tax Department is undertaking an extensive exercise to enable many income tax related forms to be completed online. A similar project has already been successfully implemented for filings required under the Companies Act.

## Republic of Korea

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 29.8% | 36.4% |
| Number of hours    | 250   | 290   |
| Number of payments | 14    | 14    |

### Using Paying Taxes to benchmark the tax system

#### Soo-Hwan Park, PwC Republic of Korea

Paying Taxes has been a good point of reference for the Republic of Korea government in terms of assessing the competitiveness and effectiveness of the local tax system. It has also allowed the Korean system to be benchmarked against measures being taken by other countries to improve their compliance environment for taxpayers. The current government is aiming to create a more business-friendly environment and is keen to improve the ease of paying taxes ranking for the Republic of Korea by adopting appropriate reforms.

The most noticeable change for the country in *Paying Taxes 2011* is a reduction in the Total Tax Rate (TTR) from 36.4% in 2006 to 29.8% this year. This is mainly due to the gradual reduction in the corporate income tax rates from 14.3% in 2006 to 12.1% in 2009 (for amounts up to KRW 100 million) and from 27.5% in 2006 to 24.2% in 2009 (for amounts thereafter). The TTR is now one of the lowest among the developed and emerging economies. The government intends to reduce the corporate income tax rate further with the headline rate reducing from 24.2% to 22% from 2012.

Reducing compliance costs is also on the government's agenda. The number of hours has fallen by 40 hours since 2006 as online systems have developed. As part of the initiative to improve the future tax compliance environment, the government implemented an electronic VAT invoicing system in 2010 (which will become mandatory from 2011). The electronic VAT invoicing system is expected to help reduce the costs of tax compliance significantly, building on the introduction of the electronic tax filing system in 2005. This new system will mean that taxpayers are no longer required to issue a paper VAT invoice and maintain a hard copy of these invoices, as this will be done electronically. It is therefore hoped that the compliance time for VAT taxpayers will fall. And as the VAT invoice is basic evidence not only for the VAT return, but also for the corporate income tax (CIT) return, these improvements should help reduce CIT compliance time too.

In July 2010, a consolidated VAT payment regime was extended to apply to all VAT taxpayers. Taxpayers are now able to make one payment to the tax office for the VAT liability for all their business places. The new consolidated VAT payment regime is expected to reduce the number of tax payments per taxpayer. Although, given the characteristics of the Paying Taxes case study company, this change is not expected to impact the Paying Taxes results.

Similar developments are also underway for corporate income tax. One of the most significant developments in the country's corporate income tax system during 2010 was the introduction of the consolidated tax return regime. A corporate group is now allowed to elect to file a consolidated tax return. The Republic of Korea government expects this new regime to promote neutrality of taxation and improve tax efficiency for corporate groups. But again, this will not impact the Paying Taxes results as there is no group of companies in the assumptions used.

The government is to continue its efforts to achieve an effective tax regime, and to benchmark itself against overseas tax compliance systems in order to ensure that the Korean tax system remains competitive. However, the current economic recession and the need to secure a robust government budget is also shaping future policy initiatives. It is likely that the government will reduce tax rates further and introduce measures to broaden the tax base with the future imposition of stamp duty on the Exchange Traded Funds and listed derivatives. It may also abolish some existing stamp duty exemptions for publicly placed funds and the exemption from capital gains for offshore listed shares invested by a domestic fund.

## Malaysia

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 33.7% | 36.0% |
| Number of hours    | 145   | 190   |
| Number of payments | 12    | 35    |

### Aiming to be in the top ten for the ease of paying taxes

#### Chuan Keat Khoo, PwC Malaysia

PEMUDAH (Malaysia's 'Special Task Force to Facilitate Business', which reports to the Prime Minister) is continuing its efforts to improve the delivery of public services, and to enhance the business environment including tax competitiveness and efficiency. To measure its achievements, PEMUDAH tracks three key international reports including the World Bank and IFC's *Doing Business* report and its ease of paying taxes indicators.

On 27 May 2010, PEMUDAH's Focus Group on Paying Taxes (FGPT) released an article entitled, "Can Malaysia make it easier to pay taxes?" This was published in one of Malaysia's leading newspapers. In the article, Chairman of the focus group, Datuk Chua Tia Guan, gives an insight into the initiatives taken by the group in continuing tax reforms for greater efficiency and ease of doing business. According to findings by the World Bank, four key successful tax reforms have been implemented around the world since 2005. These are highlighted in the article and include introducing online filing; combining taxes; simplifying tax administration; and reducing tax rates and broadening the base.

With these reforms in mind, and using the same methodology as the World Bank, PEMUDAH's FGPT has examined the taxes and mandatory contributions that a medium-sized company in Malaysia must pay or withhold in a given year, as well as measuring the administrative burden in paying taxes. In effect, Malaysia's Paying Taxes ranking is being used as a basis for the FGPT's initiatives to make paying taxes easier across all the main taxes.

Probably the most significant measure implemented in 2010 has been the introduction of MyCOID. This allows companies to interact with different government agencies (including, the Inland Revenue Board, agencies administering social contributions, and the SME Corp -formerly known as the Small and Medium Industries Development Corporation) with just one standard identification number .

PEMUDAH also provides a glimpse of proposed measures to be implemented in the next stage of the FGPT's plan for continuing tax reform. For business, these include compensation for late tax refunds (potentially in 2015), a reduction in the six-year timeframe within which a tax audit can be carried out in order to reduce the uncertainty for businesses, consolidation of certain tax payments into one payment, and the standardisation of the definition of wages for the purpose of computing the various social contributions.

Three years after its formation, PEMUDAH continues to pursue its mission of "driving the nation with more substantive improvements that create greater impact to the nation's competitiveness and initiatives that make a difference to the life of the business community and the citizenry." Its measure of success in achieving this vision is "to improve Malaysia's ranking in the World Bank's Ease of *Doing Business* and reach the goal of being ranked among the top 10 nations", (from PEMUDAH's 2009 Annual Report).

## The Netherlands

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 40.5% | 48.5% |
| Number of hours    | 134   | 250   |
| Number of payments | 9     | 20    |

### ***In times of economic crisis, reducing the tax compliance burden is at the forefront of tax policy***

#### **Roland Brandsma, PwC Netherlands**

This year's Paying Taxes report again shows a significant fall in the number of hours that are needed by our case study to comply with its tax affairs in the Netherlands. This is consistent with the longer downward trend in the data since 2006. The drive to reduce compliance time was boosted by the successful launch of *Paying Taxes 2009* in the Netherlands and the accompanying political debate over the results. This reduction is a key reason for the improvement to the overall Dutch ranking from 33 to 27 since last year. The Dutch government has consistently acknowledged the need to reduce the administrative burden of the tax system and has placed this objective at the forefront of its tax policy. In times of economic crisis, a reduction in administrative burden offers welcome relief for businesses, by reducing compliance costs and improving businesses' cash flow position.

The substantial fall in the number of hours to comply, which is shown in this year's results for the Netherlands, can be explained by the various measures that the Dutch government introduced most recently, and which have had an impact during the period of this year's case study.

An important temporary measure for VAT was introduced, giving companies an option to file quarterly instead of monthly. This measure can lead to a delay in VAT payments, improving companies' cash flow, and may also result in a substantial decrease in the time taken to comply. Recently, the Minister of Finance announced that this temporary measure, initially introduced for 2009 and 2010, will be extended due to its success. Over 100,000 entrepreneurs have made use of this measure so far.

With regards to corporate income tax, the procedure for filing returns has also been made easier with simplified rules for preparing annual accounts. As of 2009, these new rules allow the figures and bases used for the commercial accounts to also be used for the corporate income tax return for small and (to a certain extent) medium-sized enterprises.

Ongoing political debate has also prompted the introduction of several other future measures which focus on reducing the time to comply. It is hoped that these measures will have a positive impact on future Paying Taxes results. They include a reduced administrative burden for employers with regards to newly-hired employees, the introduction of a common definition of wages for the wage withholding tax and the various social contributions, and a new work-related cost scheme for wage tax purposes. Although not applicable to our case study company, a significant improvement to the participation exemption regime, effective as of January 2010, should also have a positive effect on the tax system with regards to corporate income tax.

Following the recent elections, Dutch politicians are currently preoccupied with the formation of a new cabinet and so further substantial changes are not expected within the next few months. However, the commitments already made in relation to reducing the administrative burden are gradually being fulfilled, and should take further effect in the near future. The indicators show that there is still room for improvement in the Netherlands. We therefore hope that this important subject remains a key priority for the newly formed government - regardless of its political persuasion.

## Nigeria

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 32.2% | 31.5% |
| Number of hours    | 938   | 1,120 |
| Number of payments | 35    | 35    |

### One step closer to global best practice

#### Taiwo Oyedele, PwC Nigeria

Nigeria is currently pursuing various tax reforms which are geared towards achieving a business-friendly environment and simplified tax administration. The reforms include a proposed reduction in corporate and personal income tax rates, an increase in the VAT rate, and the development of a risk-based approach to enforcing tax compliance.

The corporate income tax rate is to reduce from 30% to 20% while the top rate of personal income tax is to reduce marginally from 25% to 24%. This marginal reduction in the personal income tax rate will be accompanied by enhanced tax-free allowances, wider tax bands and reduced graduated rates for low-income earners. The proposal to increase VAT could see the rate go up to 15% from the current 5% in the near future. This will be implemented in a stepped manner over a couple of years. The shift in focus from direct to indirect tax is expected to widen the tax base, encourage voluntary compliance and reduce the cost of tax collection.

The proposal to unify tax registration for all federal taxes has already been implemented in Nigeria. Taxpayers now only need a single registration for corporate income tax, VAT, capital gains tax and other federal taxes. Following this, a proposal to develop a unique tax identification number (UTIN) for

all taxpayers across the three tiers of government – federal, state and local – has been initiated by the Joint Tax Board: the body of Nigeria’s federal and state tax authorities. The proposal was recently approved by the federal government, but implementation could take up to two years. When fully implemented, the UTIN will be used to create a National Taxpayer Database that will facilitate the movement towards a technology-enabled tax system for the country. This will move Nigeria’s tax administration and practice one step closer to global best practice. In addition, the project will provide better access to information (especially between tax agencies), reduce the multiplicity of taxes, and effectively increase the revenue to various tiers of government. Although the process is still at an early stage, it is expected that the initiative will include a strategy to harmonise or migrate the existing tax identification numbers into the UTIN and make compliance easier for taxpayers.

Some of the ongoing reforms are based on the new National Tax Policy (NTP) which has been undergoing fine-tuning for over two years. The final version of the NTP was approved in January 2010 to serve as a reference point for future tax legislation and the evolution of the Nigerian tax environment in general. The NTP, however, requires the necessary legal framework to facilitate its implementation.

Nigeria, with 35 tax payments and a 32.2% Total Tax Rate, ranks well on both these indicators in the African Union. The one area, which negatively impacts the country’s overall ease of paying taxes ranking and requires focused attention, continues to be the vast amount of time (hours per year) required to comply

with tax obligations. While there has been some reduction on this indicator since the Paying Taxes study was first undertaken, Nigeria still ranks 180 out of 183 countries in the world - and is last in the African Union.

Another area requiring urgent attention is the length of time it takes to settle tax disputes. The process is currently very slow and ineffective and many states do not have a body in place to adjudicate in tax disputes, despite provisions in the law. At the federal level, the FIRS Establishment Act, enacted in 2007, established tax tribunals in the six geo-political zones. But, to date, the tribunals have only been constituted and are yet to become fully operational. As a result, many tax cases, which have been pending for well over two years, remain unresolved.

## Poland

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 42.3% | 40.9% |
| Number of hours    | 325   | 418   |
| Number of payments | 29    | 40    |

### **Improving e-filing and a modern tax e-administration**

**Katarzyna Czarnecka-Żochowska,**  
PwC Poland

In recent years, Poland has made significant progress to ease the paying taxes process and this is reflected in the Paying Taxes results.

While the Total Tax Rate increased in Poland after 2006, it has reduced again in more recent years. There have been several tax rate reductions. The relevant legislative measures were passed in 2006 and 2007, although some only came into force in 2009. The most important of these included substantial decreases in the social security and personal income tax (PIT) rates. The social security rate for employees dropped by five percentage points and, for employers, by two percentage points.

There has been significant progress on procedural issues, and the time to comply for our case study company has fallen, as has the number of payments. This has been achieved partly through measures such as extending reporting periods. VAT changes that came into force in December 2008 have been particularly important. Taxpayers are now allowed to file quarterly instead of monthly.

Alongside these measures, Polish law-makers have embarked on the task of encouraging the use of e-filing and introducing a modern tax e-administration. The initial stage was completed on 1 January 2008, when all businesses were given the option to file almost all tax returns online. The introduction of this e-filing system has not yet been fully successful as businesses have had to meet a number of formal requirements in order to participate. This may have discouraged some taxpayers, and there has been some reluctance to abandon the paper filing method.

This reluctance to embrace e-filing is also evident among personal income taxpayers who have the option to file returns electronically. In 2009, only around 320,000 individuals (around 2% of all PIT taxpayers) filed their returns online. Again, procedural issues are thought to have contributed to this.

The ups and downs of the initiatives described above have been closely monitored by government. With this in mind, the Ministry of Finance commissioned a PwC survey to seek input and suggestions on how to improve the e-filing system for PIT. The government has also embarked on an even more ambitious task to set up a fully modernised e-administration. PwC is also assisting with this project. IT technologies will be used to register, gather and process tax information and this should reduce interactions between taxpayers and the tax authorities to a minimum. Furthermore, a wide range of PIT taxpayers will be given the option to have their tax returns pre-completed by the tax authorities. It is expected that the e-administration reform will be complete by the end of 2012.

## Romania

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 44.9% | 57.2% |
| Number of hours    | 222   | 190   |
| Number of payments | 113   | 108   |

### Against the trend – a rising tax burden on business

#### Peter de Ruiters, PwC Romania

*Paying Taxes 2011* ranks Romania 151 out of the 183 economies included in the study. This ranking is heavily influenced by the high number of tax payments in Romania: 113 are required during the course of a year, most of which relate to labour taxes. There is no electronic filing currently available. Romania's continued low ranking arises not only because of the Romanian tax system itself, but also because of the tax reforms being implemented in other countries.

The *Paying Taxes 2010* report was widely publicised in Romania. It attracted significant media attention, and stimulated good debate. However, so far, few actions have been taken by the Romanian government to simplify the tax system and ease the taxpayer's fiscal burden. In fact, the trend has been for the compliance indicators to increase.

Since the *Paying Taxes* study began, the Total Tax Rate (TTR) has fallen in Romania, mainly as a result of falling labour tax rates for social security, health insurance, and unemployment contributions. In the most recent years, the Romanian government has taken several measures to help support the business environment during the economic downturn. Taxpayers have been granted social security exemption during periods of temporary inactivity,

and also the potential to defer tax liabilities under certain conditions. These measures, however, do not affect the TTR for the *Paying Taxes* case study company as the conditions do not apply to the assumptions made for the company.

The number of hours needed to comply with the major taxes has increased with much of this happening in the last year (from 202 hours in last year's study to 222 hours currently). This is mainly due to the introduction of more burdensome requirements in relation to labour agreements, and also additional corporate income tax compliance procedures (for example, the requirement for more detailed analysis of accounting information in relation to sensitive items). Progress has, however, been made at the same time. The process for issuing electronic invoices, introduced in October 2009, has been simplified in order to improve the compliance process.

During 2010, the government has introduced several further fiscal measures aimed at helping to achieve budget deficit targets. These measures are expected to have an impact on the *Paying Taxes* indicators in the future. They include an increase in the VAT rate from 19% to 24%, along with the introduction of additional VAT compliance measures; an increase in other local taxes (e.g. vehicle tax, taxes on the issue of certificates, notices and authorisations for advertising); and the introduction of a new late-payment penalty system.

The government has also postponed the introduction of a simplified advance corporate income tax payments system, initially planned for 2010, until 2012. When the system is eventually introduced, it is expected that it will make the compliance procedure easier for the taxpayer and reduce the number of hours required.

It is clear that additional measures to streamline the tax administration are necessary to help Romania become an important location on the investors' map. The *Paying Taxes* indicators are proving to be a useful catalyst for discussions with officials in the Romanian government and provide an impetus for initiating comprehensive tax reforms. The launch event for *Paying Taxes* in Bucharest this year will represent another significant milestone in this process.

## Singapore

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 25.4% | 27.7% |
| Number of hours    | 84    | 80    |
| Number of payments | 5     | 5     |

### **Consistently in the top ten but striving for further efficiencies**

#### **David Sandison, PwC Singapore**

Tax policy plays an integral role in Singapore's strategy for being a major global business hub. The effectiveness and efficiency of Singapore's tax system is evident from its consistent top ten rankings in the Paying Taxes study since it was launched five years ago.

Singapore is ranked fourth for the overall ease of paying taxes in the latest study, with a decrease in Total Tax Rate (TTR) from 27.7% to 25.4% over the last year. This change in TTR is mainly due to tax reforms introduced progressively and aimed at enhancing Singapore's long-term ability to attract investment and to weather the global financial crisis. Among other reforms, the prevailing corporate tax rate was reduced from 18% to 17%, and a 40% property tax rebate was offered to ease business costs in the 2009 budget.

Interestingly, nearly 60% of the TTR consists of the employer component of a mandatory Central Provident Fund (CPF) contribution. The cash burden incurred by employers from CPF contributions was reduced from 1 January 2009 to 30 June 2010 through the introduction of a Jobs Credit Scheme. Under this innovative initiative, an employer received a 12% cash grant in 2009 (reduced to 6% and 3% in 2010) on the first S\$2,500 of qualifying

monthly wages. Over S\$4.3 billion in jobs credits was paid out in total. The impact is nonetheless not evident in Singapore's TTR results as the credits are not deductible for tax purposes, nor taxable in the hands of companies that received them.

Singapore's five tax payments are an indication of the efficiency of the tax system when compared to the global average of 30 payments. These taxes, each spread over different tax bases, ensure the stability of Singapore's tax revenues and the ability to make sustainable public investment for the future.

In line with the low TTR rate and relatively few tax payments, Singapore's low time-to-comply of 84 hours shows a business-friendly approach towards tax collection through e-filing, simplified forms and efficient administration.

Discussions for reform are, however, continuing. Following the launch of each Paying Taxes study over the past few years, the Singapore tax authorities have engaged with PwC Singapore to discuss ways in which the tax system could be made more efficient and effective in comparison to peer economies.

Despite Singapore's excellent results in the Paying Taxes study, the methodology used for the calculations does not capture the full extent of the Singapore tax system for companies. This is due to the domestic and restricted-activity profile of the case study company used in the report. There are a number of tax incentives, rebates, tax deductions and tax treaties available in Singapore which do not apply to TaxpayerCo. Enhanced deductions, tax loss reforms and grants are also being introduced to encourage investments, innovation, and entrepreneurship. A Total Tax Contribution study using data from real companies in Singapore could provide further insights on the effectiveness and efficiency of the system.

## South Africa

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 30.5% | 38.1% |
| Number of hours    | 200   | 350   |
| Number of payments | 9     | 12    |

## Tax policy in the wake of recession

### Paul de Chalain, PwC South Africa

Since the Paying Taxes study began, there has been a downward trend in South Africa's results brought about by falling corporate income tax rates, and a broad-based drive towards electronic filing and simplifying tax returns. In the wake of the recession, it is expected that the South African government will maintain its focus on tax policy and reform.

The global economy experienced its deepest recession in seven decades, precipitating South Africa's first recession in 17 years. In South Africa, the depth of the domestic downturn is best measured not in GDP figures, but in human terms. More than 900,000 people have lost their jobs since the crisis began. This has had a significant effect on their lives and on the livelihoods of millions of South Africans.

Tax policy has been used as an important instrument to aid recovery from the economic downturn. South Africa has focused in particular on maintaining stability. The National Treasury applied long-term principles in the budget process. These included protecting the poor; sustaining employment growth and expanding training opportunities; building economic capacity and promoting investment; and addressing the barriers to competitiveness that limit an equitable sharing of opportunities.

In driving this agenda, it has also been necessary to maintain a sustainable debt level so that actions today do not constrain development tomorrow. This has therefore been a rather conservative approach with expectations for output growth to improve, supported by public infrastructure spending, lower interest rates, the effect of 2010 FIFA World Cup and a possible recovery in the world economy.

New taxes identified and implemented include an environmental levy on electric filament lamps (non-energy saving). An environmental levy on motor vehicle carbon emission levels (the more fuel-efficient the car, the less tax is charged) will also be implemented in the near future. The promotion of a greener economy occupies a firm position high up on the government's agenda. This includes processes to encourage energy efficiency and reduce harmful emissions, some of which have tax implications. Although tax implications may limit important economic growth, this approach also protects South Africa's future. In this regard, the high cost of tax compliance will remain an issue.

The results of the Paying Taxes studies and the empirical work conducted by PwC South Africa in its third annual Total Tax Contribution (TTC) survey for large South African companies have been widely publicised in South Africa. The TTC survey shows that despite the recession, the largest companies in South Africa continue to contribute a significant proportion of the country's overall tax receipts. These results confirm the importance of large South African companies to the local economy. Paying Taxes has proved to be an objective investment tool that provides investors with access

to information on performance in tax policy and administration matters. It also provides policymakers with objective information that can be used to plan the tax landscape of the future. At the same time, other studies based on the TTC Framework, in particular, the global mining study, are important in identifying key investment sectors and opportunities within the South African economy.

As with the boom period prior to 2008, the global recession will result in sweeping changes to the world economic landscape. Major industries, from automobiles to telecommunications and energy, are undergoing restructuring and rapid evolution. There is no doubt that tax revenues in South Africa will remain under extreme pressure and current indications are that the focus of tax policy will remain on the stability of the national economy.

## Switzerland

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 30.1% | 29.9% |
| Number of hours    | 63    | 63    |
| Number of payments | 19    | 20    |

### Progress during the crisis and beyond

#### Armin Marti, PwC Switzerland

The global financial downturn resulting from the financial crisis of 2008/9 has prompted many governments to revisit their fiscal policy. In Switzerland, such analysis reveals a relatively solid level of state financing and a moderate level of public debt. This healthy balance between public spending and fiscal revenues allows Switzerland to retain a relatively attractive fiscal environment, characterised by stability and gradual but steady improvement. The *Doing Business* and *Paying Taxes* studies document this sustainable path.

Since *Paying Taxes 2006* was published, the Swiss results have remained virtually the same, with only minor variances in the Total Tax Rate (TTR). It should be noted that the Swiss corporate income tax rate – one of the most important components of the TTR – varies due to cantonal tax laws, which can cause tax rates to differ quite substantially. Zurich, the location for the case study company in this study, ranks at about the average of all cantons. Moreover, international businesses operating out of Switzerland may also qualify for lower corporate tax rates if certain conditions apply.

There have been a number of recent changes in the tax law in Switzerland. For direct federal tax purposes, the conditions for the application of participation relief will be relaxed as of 2011. The cantons will have to implement this too, though timing may vary. The capital contribution principle will also be introduced, allowing contributed surplus to be returned to shareholders free of Swiss withholding tax from 2011. From August 2010, the so-called '10/20 non-bank rule' has been relaxed (i.e. withholding tax and stamp duties are eliminated on inter-company treasury activities if certain conditions are met).

Moreover, as part of the announced corporate tax reform, further improvements to the corporate income tax regulations are currently being developed. Among the proposals discussed are the following: the abolition of issuance stamp duty, further changes to the participation relief system, and the introduction of the ability to carry forward tax losses without limitation (currently limited to seven years).

These revisions will benefit all companies in Switzerland, including small and medium sized enterprises on which the *Paying Taxes* analysis is based. They will also help to settle ongoing issues with the European Union concerning preferential tax regimes and to strengthen Switzerland's position as a reliable and attractive location for international investment.

Offering a fiscal environment which is attractive to international businesses is of vital importance to Switzerland, bearing in mind the country's small size, its limited domestic market and the absence of any significant natural resources that could be fiscally exploited. Switzerland has realised that, in order to provide a stable and prosperous legal and fiscal environment beyond national borders, it is necessary to ensure cross-border transparency. The Swiss government has therefore recently accepted the OECD's information exchange standards. By combining a 'local approach' with international cooperation and partnerships, Switzerland represents a country with an internationally competitive and transparent tax system.

## United Kingdom

|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 37.3% | 35.8% |
| Number of hours    | 110   | 105   |
| Number of payments | 8     | 8     |

### Coming out of the recession and facilitating business growth

#### Barry Marshall, PwC UK

London hosted the first global launch event for Paying Taxes in November 2006. At this time, the UK had a ranking of 11 out of the 178 economies included in the study. Since then, the UK's position has gradually fallen to a current ranking of 16. Changes that have been made to the UK tax system during this time are clearly reflected in the Paying Taxes results.

The change in the Total Tax Rate (TTR) has had the most significant impact on the overall result. Although the UK's statutory rate for corporation tax has fallen, other changes to the tax system have resulted in an increase in the amount of tax paid by our case study company. The reduction in the rate at which capital allowances can be claimed for the purchase of fixed assets and equipment has had a particular impact.

The number of payments in the UK has remained constant at eight, reflecting the payment of one profit tax (corporation tax), one labour tax (national insurance contributions), and six other taxes (including VAT, business rates, landfill tax, vehicle licence tax, insurance premium tax and fuel duty). However, the UK has fallen behind other countries which have improved their systems with electronic filing and joint payments.

The number of hours required for tax compliance has increased slightly to 110. This reflects the recent changes that have been made to the rate of VAT and the necessary additional administration that was required to implement the change.

As for many other economies, the last two years have been a particularly turbulent period for the UK, with the banking crisis beginning in 2008 and continuing throughout 2009. It is only since the end of 2009 that the UK economy has gradually moved out of recession. But the pace of growth remains slow and the recession has left the country with a large structural deficit to deal with.

In 2010, the UK elected a new coalition government which has stated that its priority revolves around tackling this deficit. The three key tools at its disposal are efficiency savings, spending cuts and the tax system. In its emergency budget in June 2010, the government set out a five-year plan. This included a reduction in the main rate of corporation tax from 28% to 24% over the course of four years from April 2011. A reduction in the small companies rate to 20% is also planned from April 2011. Both these measures are aimed at ensuring the UK tax system remains attractive alongside peer group economies.

However, the rate at which capital allowance deductions are available for capital spend will also fall further to better reflect economic depreciation rates. And the rates for Insurance Premium Tax and VAT are due to increase from January next year, along with the rate for landfill tax from April 2011.

With the exception of the VAT change, we can expect that all of these changes will have an impact on the TTR for our case study company in the UK. The changes to the VAT rate will not however affect the TTR, as this is not a tax borne for our case study company. But, subject to any other changes that might have an impact on the administrative procedures for compliance, the proposed VAT changes will result in an increase in the time-to-comply to reflect the extra time needed to deal with the rates changes.

Getting the balance right between raising revenues and ensuring that business activity is not inhibited is key. Other research undertaken by PwC in the 2010 edition of the *Global Family Business survey*, and in last year's *Enterprising UK survey* suggests that business is still concerned about the tax system. There is a plea from business for simple tax rules, reduced administrative burden and, most of all, for a period of certainty and stability in the tax system.

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## Zambia

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|                    | 2011  | 2006  |
|--------------------|-------|-------|
| Total Tax Rate     | 16.1% | 16.5% |
| Number of hours    | 132   | 132   |
| Number of payments | 37    | 37    |

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## ***Incentives for business investment***

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### **Jyoti Mistry, PwC Zambia**

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The Paying Taxes results for Zambia have changed little since 2006. The Total Tax Rate (TTR) has reduced only slightly, while there has been no change in the time to comply or in the number of payments.

The low TTR is largely a result of the government prioritising the manufacturing industry as a potential growth area. A number of fiscal incentives have been granted including 50% capital allowances, a 10% initial allowance on investments in industrial buildings, and a 10% investment allowance. These incentives drive down the corporate income tax element of the TTR so that the effective rate is much lower than the statutory corporate income tax rate (referred to on page 32 of this publication). Although not applicable to our case study company, there are additional incentives available to the manufacturing sector, with the statutory corporate income tax rate reduced to 15% for income relating to the export of non-traditional products.

The government has also implemented incentive regimes in relation to the tax cost focused on sectors such as mining, agriculture, and tourism. With mining being the major source of foreign exchange for the country, and with the recent copper price recovery on international markets, government has come under increasing pressure to reintroduce the windfall tax on mining profits to increase the tax take from this sector.

In addition to its 12 VAT payments, TaxpayerCo also has 12 payments to make for pension contributions, five payments for corporate income tax, four motor vehicle license payments, and one payment each for interest and medical levy, property transfer, workers compensation and fuel tax. Efforts have been made to ease the burden of paying these taxes, with the introduction of an electronic payment system which allows companies to pay their tax by electronic transfer. But the payments indicator for Zambia in the Paying Taxes study is still high, as the country does not yet have an electronic filing system.

Tax policy is on the Zambian government's agenda and following the introduction of the Customer Charter by the revenue authority in 2009, there are continuing efforts being made to improve service delivery for the taxpayer. The charter sets out a commitment to improve efficiency with some minimum standards. It remains to be seen whether these initiatives improve the tax environment for companies like TaxpayerCo.



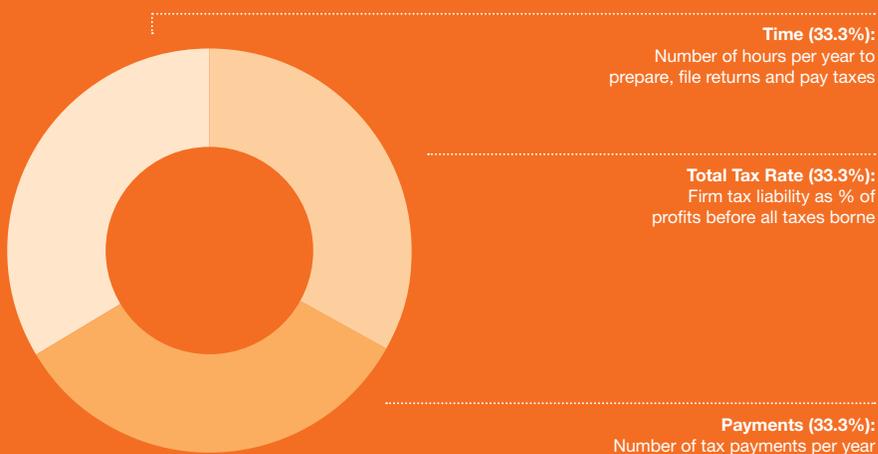
# The *Paying Taxes* methodology

*Doing Business* 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 by the World Bank and IFC in cooperation with PwC. Taxes and contributions measured include profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators (see diagram opposite).

**Figure A1.1**

**Paying Taxes: tax compliance for a local manufacturing company**

Rankings are based on three sub-indicators



*Doing Business* measures all taxes and contributions that are government-mandated (whether federal, state or local), and which apply to the standardised business and have an impact in its financial statements. In doing so, *Doing Business* 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. *Doing Business* departs from this definition because it measures imposed charges that affect business accounts, not government accounts. The main differences relate to labour contributions. The *Doing Business* 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. It should also be noted that, for the purpose of calculating the Total Tax Rate (TTR) (defined later in this section), 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.

*Doing Business* uses a 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 scenario uses a set of financial statements and assumptions about transactions made over the year. Tax experts from a number of different firms in each economy (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 the time taken to comply with tax laws in an economy.

The timeline overleaf summarises the annual process for collecting the Paying Taxes data.

**Figure A1.2**

**Timeline summarising the annual process for collecting the Paying Taxes data**



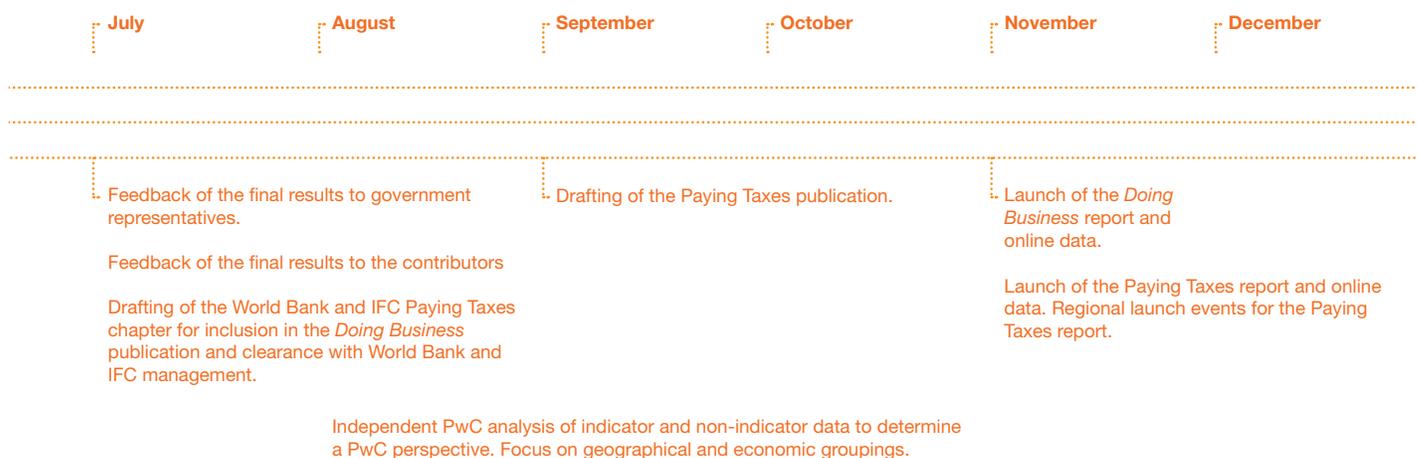
To make the data comparable across economies, a number of assumptions about the business and the taxes and contributions are used.

### **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 popular among domestic firms is chosen. The most popular form is reported by incorporation lawyers or the statistical office.
- started operations on 1 January 2008. 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.
- is 100% domestically owned and has five owners, all of whom are natural persons.
- has a start-up capital of 102 times income per capita at the end of 2008.

- 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, liquor or tobacco).
- at the beginning of 2009, owns two plots of land, one building, machinery, office equipment, computers and one truck. It also 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 an 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. When applicable, we assume 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% (i.e. 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. All financial statement variables are proportional to 2005 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 2009). 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 which are 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).

## What does Paying Taxes measure?

### Tax Payments

The tax payments 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 (see figure A1.3). It includes consumption taxes paid by the company, such as sales tax or value added tax. These taxes are traditionally collected from the consumer 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.

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

### Time

Time is recorded in hours per year. The 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 needed to compute the tax payable and to calculate the amount payable. If separate accounting books are required 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.

### Figure A1.3

#### What do the Paying Taxes sub-indicators measure?

#### Tax payments for a manufacturing company in 2009 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with three major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total Tax Rate (% of profit)

Profit or corporate income tax

Social contributions and labour taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

## Total Tax Rate (TTR)

The TTR 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. *Doing Business* 2011 reports the TTR for calendar year 2009. 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 which are 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 TTR 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 TTR, the actual tax payable is divided by commercial profit. Data for Sweden is shown in figure A1.4 to illustrate the calculation.

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.

**Figure A1.4**

### Computing the TTR for Sweden

| Type of tax (tax base)                | Statutory rate (r) | Statutory tax base (b) | Actual tax payable (a) | Commercial profit* (c) | TTR (t)      |
|---------------------------------------|--------------------|------------------------|------------------------|------------------------|--------------|
|                                       |                    | SKr                    | SKr                    | SKr                    | t = a/c      |
| Corporate income tax (taxable income) | 28%                | 10,330,966             | 2,892,670              | 17,619,223             | 16.4%        |
| Real estate tax (land and buildings)  | 0.38%              | 26,103,545             | 97,888                 | 17,619,223             | 0.6%         |
| Payroll tax (taxable wages)           | 32.42%             | 19,880,222             | 6,445,168              | 17,619,223             | 36.6%        |
| Fuel tax (fuel price)                 | SKr 4.16 per litre | 45,565 litres          | 189,550                | 17,619,223             | 1.1%         |
| <b>Total</b>                          |                    |                        | <b>9,625,276</b>       |                        | <b>54.6%</b> |

\*Profit before all taxes borne

Note: SKr is Swedish kronor. Commercial profit is assumed to be 59.4 times income per capita

Source: *Doing Business* database.

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 TTR is broadly consistent with the Total Tax Contribution framework 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.

# About *Doing Business*: measuring for impact

## Commentary from the World Bank and IFC

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

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

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

The *Doing Business* project, initiated nine years ago, goes one step further. It looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. *Doing Business* and the standard cost model initially developed and applied in the Netherlands are, for the present, the only standard tools used across a broad range of jurisdictions to measure the impact of government rule-making on the cost of doing business.<sup>1</sup>

The first *Doing Business* report, published in 2003, covered five indicator sets and 133 economies. The *Doing Business* 2011 report covers 11 indicator sets and 183 economies. *Doing Business* takes the perspective of domestic, primarily smaller companies and measures the regulations applying to them through their life cycle. Economies are ranked on the basis of nine areas of regulation – for starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. In addition, data are presented for regulations on employing workers and, for a set of pilot indicators, on getting electricity. The project has benefited from feedback from governments, academics, practitioners and reviewers.<sup>2</sup> The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

## What *Doing Business* covers

*Doing Business* provides a quantitative measure of regulations for starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business – as they apply to domestic small and medium-size enterprises. It also looks at regulations on employing workers as well as a new measure on getting electricity.

A fundamental premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights and reduce the cost of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The objective: regulations designed to be efficient in their implementation, to be accessible to all who need to use them and to be simple in their implementation. Accordingly, some *Doing Business* indicators give a higher score for more regulation, such as stricter disclosure requirements in related-party transactions. Some give a higher score for a simplified way of implementing existing regulation, such as completing business start-up formalities in a one-stop shop.

The *Doing Business* project encompasses two types of data. The first come from readings of laws and regulations. The second are time and motion indicators that measure the efficiency in achieving a regulatory goal (such as granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable.<sup>3</sup> Here, *Doing Business* builds on Hernando de Soto's pioneering work in applying the time and motion approach first used by Frederick Taylor to revolutionise the production of the Model T Ford. De Soto used the approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima.<sup>4</sup>

## What *Doing Business* does not cover

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

### Limited in scope

*Doing Business* focuses on 11 topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm. Accordingly:

- *Doing Business* does not measure all aspects of the business environment that matter to firms or investors – or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, the labour skills of the population, the underlying strength of institutions or the quality of infrastructure.<sup>5</sup> Nor does it focus on regulations specific to foreign investment.
- *Doing Business* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis.
- *Doing Business* does not cover all regulations, or all regulatory goals, in any economy. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union's body of laws (acquis) has now grown to no fewer than 14,500 rule sets. *Doing Business* covers 11 areas of a company's life cycle, through 11 specific sets of indicators. These indicator sets do not cover all aspects of regulation in the area of focus. For example, the indicators on starting a business or protecting investors do not cover all aspects of commercial legislation. The employing workers indicators do not cover all areas of labour regulation. The current indicator set does not include, for example, measures of regulations addressing safety at work or the right of collective bargaining.

<sup>1</sup> The standard cost model is a quantitative methodology for determining the administrative burdens that regulation imposes on businesses. The method can be used to measure the effect of a single law or of selected areas of legislation or to perform a baseline measurement of all legislation in a country.

<sup>2</sup> This has included a review by the World Bank Independent Evaluation Group (2008) as well as ongoing input from the International Tax Dialogue.

<sup>3</sup> Local experts in 183 economies are surveyed annually to collect and update the data. The local experts for each economy are listed on the *Doing Business* website (<http://www.doingbusiness.org>).

<sup>4</sup> De Soto (2000).

<sup>5</sup> The indicators related to trading across borders and dealing with construction permits and the pilot indicators on getting electricity take into account limited aspects of an economy's infrastructure, including the inland transport of goods and utility connections for businesses.

### **Based on standardised case scenarios**

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

Such assumptions allow global coverage and enhance comparability. But they come at the expense of generality. *Doing Business* recognises the limitations of including data on only the largest business city. Business regulation and its enforcement, particularly in federal states and large economies, differ across the country. And of course the challenges and opportunities of the largest business city – whether Mumbai or São Paulo, Nuku'alofa or Nassau – vary greatly across countries. Recognising governments' interest in such variation, *Doing Business* has complemented its global indicators with subnational studies in such countries as Brazil, China, Colombia, the Arab Republic of Egypt, India, Indonesia, Kenya, Mexico, Morocco, Nigeria, Pakistan and the Philippines.<sup>6</sup>

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

### **Focused on the formal sector**

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

Where regulation is particularly onerous, levels of informality are higher. Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers – and their workers remain outside the protections of labour law.<sup>7</sup> *Doing Business* measures one set of factors that help explain the occurrence of informality and give policymakers insights into potential areas of reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business* with data from other sources, such as the World Bank Enterprise Surveys.<sup>8</sup>

### **Methodology and data**

*Doing Business* covers 183 economies – including small economies and some of the poorest countries, for which little or no data are available in other data sets. The *Doing Business* data are based on domestic laws and regulations as well as administrative requirements. (For a detailed explanation of the *Doing Business* methodology, see [www.doingbusiness.org/methodology](http://www.doingbusiness.org/methodology))

### **Information sources for the data**

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

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

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

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

### **Development of the methodology**

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

*Doing Business* uses a simple averaging approach for weighting component indicators and calculating rankings. Other approaches were explored, including using principal components and unobserved components. They turn out to yield results nearly identical to those of simple averaging. The nine sets of indicators provide sufficiently broad coverage across topics. Therefore, the simple averaging approach is used.

*Doing Business* also continues to benefit from discussions with external stakeholders, including participants in the International Tax Dialogue, on the survey instrument and methodology.

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

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

<sup>6</sup> <http://www.doingbusiness.org/Subnational/>.

<sup>7</sup> Schneider (2005).

<sup>8</sup> <http://www.enterprisesurveys.org>.

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# *The Paying Taxes reforms*

## Summarised by the World Bank and IFC

These reforms were implemented between June 2009 and May 2010.

---

**Key**

- ✓ *Doing Business* reform making it easier to pay taxes (as measured by the indicators)
- ✗ *Doing Business* reform making it more difficult to pay taxes (as measured by the indicators)

---

**Albania**

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Albania made it easier and less costly for companies to pay taxes by amending several laws, reducing social security contributions and introducing electronic filing and payment.

---

**Azerbaijan**

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A revision of Azerbaijan's tax code lowered several tax rates, including the profit tax rate, and simplified the process of paying corporate income tax and value added tax.

---

**Belarus**

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Reductions in the turnover tax, social security contributions and the base for property taxes along with continued efforts to encourage electronic filing made it easier and less costly for companies in Belarus to pay taxes.

---

**Bosnia and Herzegovina**

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Bosnia and Herzegovina simplified its labour tax processes, reduced employer contribution rates for social security and abolished its payroll tax.

---

**Brunei Darussalam**

---



Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%.

---

**Bulgaria**

---



Bulgaria reduced employer contribution rates for social security.

---

**Burkina Faso**

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Burkina Faso reduced the statutory corporate income tax rate and the number of taxes for business and introduced simpler, uniform compliance procedures.

---

**Burundi**

---



Burundi made paying taxes simpler by replacing the transactions tax with a value added tax.

---

**Canada**

---



Canada harmonised the Ontario and federal tax returns and reduced the corporate and employee tax rates.

---

**Cape Verde**

---



Cape Verde abolished the stamp duties on sales and cheques.

---

**Chad**

---



Chad increased taxes on business through changes to its social security contribution rates.

---

**China**

---



China's new corporate income tax law unified the tax regimes for domestic and foreign enterprises and clarified the calculation of taxable income for corporate income tax purposes.

---

**Congo, Rep.**

---



The Republic of Congo reduced its corporate income tax rate from 38% to 36% in 2010.

---

**Czech Republic**

---



The Czech Republic simplified its labour tax processes and reduced employer contribution rates for social security.

---

**Estonia**

---



Estonia increased the unemployment insurance contribution rate.

## Summary of the paying taxes reforms *continued*

### Hong Kong SAR, China



Hong Kong SAR (China) abolished the fuel tax on diesel.

### Hungary



Hungary simplified taxes and tax bases.

### Iceland



Iceland increased the corporate income tax rate from 15% to 18% and raised social security and pension contribution rates.

### India



India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.

### Indonesia



Indonesia reduced its corporate income tax rate.

### Jordan



Jordan abolished certain taxes and made it possible to file income and sales tax returns electronically.

### Kenya



Kenya increased the administrative burden of paying taxes by requiring quarterly filing of payroll taxes.

### Lao PDR



Lao PDR replaced the business turnover tax with a new value added tax.

### Lithuania



Lithuania reduced corporate tax rates.

### Macedonia, FYR



FYR Macedonia lowered tax costs for businesses by requiring that corporate income tax be paid only on distributed profits.

### Madagascar



Madagascar continued to reduce corporate tax rates.

### Mauritius



Mauritius introduced a new corporate social responsibility tax.

### Mexico



Mexico increased taxes on companies by raising several tax rates, including the corporate income tax and the rate on cash deposits. At the same time, the administrative burden has continued to decrease with more options for online payment and increased use of accounting software.

### Moldova



Moldova reduced employer contribution rates for social security.

### Montenegro



An amendment to Montenegro's corporate income tax law removed the obligation for advance payments and abolished the construction land charge.

### Netherlands



The Netherlands reduced the frequency of filing and paying value added taxes from monthly to quarterly and allowed small entities to use their annual accounts as the basis for computing their corporate income tax.

---

**Nicaragua**

✗

Nicaragua increased taxes on firms by raising social security contribution rates and introducing a 10% withholding tax on the gross interest accrued from deposits. It also improved electronic payment of taxes through bank transfer.

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**Niger**

✓

Niger reduced its corporate income tax rate.

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**Panama**

✓

Panama reduced the corporate income tax rate, modified various taxes and created a new tax court of appeals.

---

**Portugal**

✓

Portugal introduced a new social security code and lowered corporate tax rates.

---

**Puerto Rico**

✗

Puerto Rico made paying taxes more costly for business by introducing a special surtax of 5% on the tax liability in addition to the normal corporate income tax.

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**Romania**

✗

Romania introduced tax changes, including a new minimum tax on profit, that made paying taxes more costly for companies.

---

**São Tomé and Príncipe**

✓

São Tomé and Príncipe reduced the corporate income tax rate to a standard 25%.

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**Seychelles**

✓

The Seychelles removed the tax-free threshold limit and lowered corporate income tax rates.

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**Sierra Leone**

✓

Sierra Leone replaced sales and service taxes with a goods and service tax.

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**Slovenia**

✓

Slovenia abolished its payroll tax and reduced its corporate income tax rate.

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**Taiwan, China**

✓

Taiwan (China) reduced the corporate income tax rate and simplified tax return forms, rules for assessing corporate income tax and the calculation of interim tax payments.

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**Tajikistan**

✓

Tajikistan lowered its corporate income tax rate.

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**Thailand**

✓

Thailand temporarily lowered taxes on business by reducing its specific business tax for 12 months.

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**Tonga**

✓

Tonga simplified the payment of taxes by replacing a two-tier system with a 25% corporate income tax rate for both domestic and foreign companies and introducing tax incentives with a broad-based capital allowance system to replace tax holidays and other tax concessions.

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**Tunisia**

✓

Tunisia introduced the use of electronic systems for payment of corporate income tax and value added tax.

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**Ukraine**

✓

Ukraine eased tax compliance by introducing and continually enhancing an electronic filing system for value added tax.

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**United States**

✗

In the United States the introduction of a new tax on payroll increased taxes on companies operating within the New York City metropolitan commuter transportation district.

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**Venezuela, RB**

✓

República Bolivariana de Venezuela abolished the tax on financial transactions.

---

**Zimbabwe**

✓

Zimbabwe reduced the corporate income tax rate from 30% to 25%, lowered the capital gains tax from 20% to 5% and simplified the payment of corporate income tax by allowing quarterly payment through commercial banks.

## *The data tables*

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**Table 1**  
Ease of paying  
taxes rankings

| Economy                  | Rankings                |                 |                   | Total<br>Tax Rate |
|--------------------------|-------------------------|-----------------|-------------------|-------------------|
|                          | Ease of<br>paying taxes | Tax<br>payments | Time to<br>comply |                   |
| Afghanistan              | 53                      | 15              | 118               | 72                |
| Albania                  | 149                     | 142             | 146               | 92                |
| Algeria                  | 168                     | 116             | 161               | 169               |
| Angola                   | 142                     | 98              | 122               | 143               |
| Antigua and Barbuda      | 132                     | 167             | 79                | 97                |
| Argentina                | 143                     | 24              | 162               | 177               |
| Armenia                  | 159                     | 156             | 169               | 94                |
| Australia                | 48                      | 35              | 22                | 127               |
| Austria                  | 104                     | 80              | 59                | 148               |
| Azerbaijan               | 103                     | 60              | 128               | 95                |
| Bahamas, The             | 50                      | 60              | 5                 | 121               |
| Bahrain                  | 14                      | 87              | 3                 | 9                 |
| Bangladesh               | 93                      | 76              | 127               | 65                |
| Belarus                  | 183                     | 181             | 178               | 173               |
| Belgium                  | 70                      | 35              | 50                | 151               |
| Belize                   | 69                      | 130             | 44                | 56                |
| Benin                    | 167                     | 166             | 109               | 164               |
| Bhutan                   | 94                      | 60              | 117               | 91                |
| Bolivia                  | 177                     | 135             | 182               | 172               |
| Bosnia and Herzegovina   | 127                     | 158             | 158               | 22                |
| Botswana                 | 21                      | 65              | 47                | 16                |
| Brazil                   | 152                     | 33              | 183               | 168               |
| Brunei Darussalam        | 22                      | 49              | 41                | 39                |
| Bulgaria                 | 85                      | 56              | 171               | 35                |
| Burkina Faso             | 148                     | 146             | 109               | 115               |
| Burundi                  | 141                     | 102             | 83                | 178               |
| Cambodia                 | 57                      | 129             | 61                | 20                |
| Cameroon                 | 169                     | 142             | 172               | 133               |
| Canada                   | 10                      | 15              | 34                | 37                |
| Cape Verde               | 100                     | 140             | 65                | 75                |
| Central African Republic | 182                     | 163             | 166               | 179               |
| Chad                     | 179                     | 163             | 177               | 161               |
| Chile                    | 46                      | 24              | 131               | 26                |
| China                    | 114                     | 9               | 154               | 158               |
| Colombia                 | 118                     | 71              | 80                | 171               |
| Comoros                  | 96                      | 71              | 19                | 180               |
| Congo, Dem. Rep.         | 163                     | 102             | 137               | 183               |
| Congo, Rep.              | 180                     | 172             | 170               | 162               |
| Costa Rica               | 155                     | 135             | 116               | 147               |
| Côte d'Ivoire            | 153                     | 175             | 109               | 111               |
| Croatia                  | 42                      | 56              | 71                | 52                |
| Cyprus                   | 32                      | 91              | 46                | 23                |
| Czech Republic           | 128                     | 40              | 167               | 132               |
| Denmark                  | 13                      | 24              | 38                | 36                |
| Djibouti                 | 60                      | 120             | 17                | 84                |
| Dominica                 | 67                      | 127             | 27                | 74                |
| Dominican Republic       | 76                      | 24              | 134               | 93                |
| Ecuador                  | 81                      | 15              | 172               | 67                |
| Egypt, Arab Rep.         | 136                     | 94              | 160               | 104               |
| El Salvador              | 137                     | 160             | 132               | 66                |
| Equatorial Guinea        | 170                     | 146             | 165               | 154               |
| Eritrea                  | 113                     | 60              | 85                | 174               |
| Estonia                  | 30                      | 9               | 14                | 134               |
| Ethiopia                 | 47                      | 65              | 73                | 45                |
| Fiji                     | 77                      | 109             | 56                | 86                |
| Finland                  | 65                      | 15              | 99                | 113               |
| France                   | 55                      | 9               | 36                | 163               |
| Gabon                    | 140                     | 88              | 164               | 107               |
| Gambia, The              | 176                     | 156             | 150               | 182               |
| Georgia                  | 61                      | 60              | 152               | 10                |
| Germany                  | 88                      | 53              | 84                | 128               |

**Table 1**  
Ease of paying  
taxes rankings  
*continued*

| Economy               | Rankings                |                 |                   | Total<br>Tax Rate |
|-----------------------|-------------------------|-----------------|-------------------|-------------------|
|                       | Ease of<br>paying taxes | Tax<br>payments | Time to<br>comply |                   |
| Ghana                 | 78                      | 109             | 90                | 53                |
| Greece                | 74                      | 33              | 90                | 125               |
| Grenada               | 79                      | 97              | 39                | 117               |
| Guatemala             | 116                     | 85              | 141               | 96                |
| Guinea                | 173                     | 167             | 157               | 145               |
| Guinea-Bissau         | 133                     | 146             | 80                | 119               |
| Guyana                | 119                     | 116             | 124               | 85                |
| Haiti                 | 97                      | 135             | 53                | 87                |
| Honduras              | 147                     | 149             | 90                | 129               |
| Hong Kong, China      | 3                       | 2               | 12                | 24                |
| Hungary               | 109                     | 43              | 120               | 144               |
| Iceland               | 35                      | 98              | 39                | 32                |
| India                 | 164                     | 167             | 104               | 157               |
| Indonesia             | 130                     | 158             | 107               | 77                |
| Iran, Islamic Rep.    | 115                     | 71              | 141               | 109               |
| Iraq                  | 54                      | 42              | 130               | 34                |
| Ireland               | 7                       | 24              | 9                 | 30                |
| Israel                | 82                      | 109             | 97                | 49                |
| Italy                 | 128                     | 49              | 123               | 167               |
| Jamaica               | 174                     | 179             | 156               | 136               |
| Japan                 | 112                     | 43              | 143               | 130               |
| Jordan                | 29                      | 88              | 20                | 46                |
| Kazakhstan            | 39                      | 24              | 115               | 38                |
| Kenya                 | 162                     | 133             | 153               | 135               |
| Kiribati              | 10                      | 9               | 27                | 50                |
| Korea, Rep.           | 49                      | 43              | 101               | 40                |
| Kosovo                | 41                      | 109             | 56                | 13                |
| Kuwait                | 9                       | 49              | 25                | 11                |
| Kyrgyz Republic       | 150                     | 152             | 77                | 152               |
| Lao PDR               | 116                     | 116             | 147               | 59                |
| Latvia                | 59                      | 9               | 125               | 81                |
| Lebanon               | 36                      | 65              | 63                | 42                |
| Lesotho               | 64                      | 76              | 134               | 17                |
| Liberia               | 84                      | 102             | 52                | 108               |
| Lithuania             | 44                      | 35              | 62                | 83                |
| Luxembourg            | 15                      | 80              | 6                 | 18                |
| Macedonia, FYR        | 33                      | 130             | 26                | 5                 |
| Madagascar            | 72                      | 83              | 76                | 79                |
| Malawi                | 25                      | 65              | 51                | 27                |
| Malaysia              | 23                      | 40              | 43                | 58                |
| Maldives              | 1                       | 2               | 1                 | 3                 |
| Mali                  | 159                     | 170             | 109               | 140               |
| Marshall Islands      | 90                      | 76              | 31                | 160               |
| Mauritania            | 172                     | 127             | 176               | 166               |
| Mauritius             | 12                      | 9               | 54                | 25                |
| Mexico                | 107                     | 7               | 155               | 138               |
| Micronesia, Fed. Sts. | 83                      | 76              | 31                | 153               |
| Moldova               | 106                     | 152             | 95                | 44                |
| Mongolia              | 66                      | 140             | 67                | 21                |
| Montenegro            | 139                     | 180             | 148               | 31                |
| Morocco               | 124                     | 93              | 145               | 99                |
| Mozambique            | 101                     | 123             | 96                | 62                |
| Namibia               | 99                      | 123             | 149               | 4                 |
| Nepal                 | 123                     | 116             | 140               | 80                |
| Netherlands           | 27                      | 24              | 37                | 90                |
| New Zealand           | 26                      | 15              | 67                | 63                |
| Nicaragua             | 158                     | 175             | 87                | 156               |
| Niger                 | 144                     | 133             | 109               | 122               |
| Nigeria               | 134                     | 120             | 180               | 51                |
| Norway                | 18                      | 5               | 16                | 98                |
| Oman                  | 8                       | 43              | 7                 | 19                |

**Table 1**  
Ease of paying  
taxes rankings  
*continued*

| Economy                        | Rankings                |                 |                   | Total<br>Tax Rate |
|--------------------------------|-------------------------|-----------------|-------------------|-------------------|
|                                | Ease of<br>paying taxes | Tax<br>payments | Time to<br>comply |                   |
| Pakistan                       | 145                     | 149             | 168               | 48                |
| Palau                          | 89                      | 65              | 31                | 170               |
| Panama                         | 175                     | 173             | 163               | 137               |
| Papua New Guinea               | 101                     | 109             | 69                | 103               |
| Paraguay                       | 110                     | 120             | 129               | 64                |
| Peru                           | 86                      | 24              | 151               | 88                |
| Philippines                    | 124                     | 149             | 70                | 118               |
| Poland                         | 121                     | 94              | 136               | 102               |
| Portugal                       | 73                      | 15              | 126               | 106               |
| Puerto Rico                    | 108                     | 53              | 86                | 165               |
| Qatar                          | 2                       | 2               | 3                 | 6                 |
| Romania                        | 151                     | 182             | 87                | 114               |
| Russian Federation             | 105                     | 35              | 132               | 123               |
| Rwanda                         | 43                      | 88              | 45                | 47                |
| Samoa                          | 68                      | 123             | 90                | 15                |
| São Tomé and Príncipe          | 135                     | 135             | 159               | 57                |
| Saudi Arabia                   | 6                       | 43              | 11                | 8                 |
| Senegal                        | 170                     | 170             | 175               | 120               |
| Serbia                         | 138                     | 177             | 121               | 60                |
| Seychelles                     | 38                      | 53              | 9                 | 110               |
| Sierra Leone                   | 159                     | 94              | 144               | 181               |
| Singapore                      | 4                       | 6               | 15                | 28                |
| Slovak Republic                | 122                     | 98              | 103               | 131               |
| Slovenia                       | 80                      | 80              | 105               | 68                |
| Solomon Islands                | 51                      | 109             | 12                | 71                |
| South Africa                   | 24                      | 24              | 75                | 43                |
| Spain                          | 71                      | 15              | 72                | 150               |
| Sri Lanka                      | 166                     | 173             | 102               | 159               |
| St. Kitts and Nevis            | 98                      | 85              | 49                | 142               |
| St. Lucia                      | 45                      | 102             | 18                | 61                |
| St. Vincent and the Grenadines | 55                      | 102             | 24                | 82                |
| Sudan                          | 94                      | 135             | 63                | 70                |
| Suriname                       | 34                      | 56              | 74                | 33                |
| Swaziland                      | 52                      | 109             | 21                | 73                |
| Sweden                         | 39                      | 1               | 30                | 146               |
| Switzerland                    | 16                      | 65              | 8                 | 41                |
| Syrian Arab Republic           | 110                     | 71              | 137               | 105               |
| Taiwan, China                  | 87                      | 56              | 108               | 100               |
| Tajikistan                     | 165                     | 163             | 90                | 175               |
| Tanzania                       | 120                     | 152             | 60                | 116               |
| Thailand                       | 91                      | 83              | 106               | 78                |
| Timor-Leste                    | 20                      | 7               | 119               | 1                 |
| Togo                           | 157                     | 160             | 109               | 139               |
| Tonga                          | 31                      | 71              | 58                | 29                |
| Trinidad and Tobago            | 91                      | 130             | 82                | 55                |
| Tunisia                        | 58                      | 15              | 41                | 155               |
| Turkey                         | 75                      | 49              | 89                | 112               |
| Uganda                         | 62                      | 102             | 54                | 69                |
| Ukraine                        | 181                     | 183             | 174               | 149               |
| United Arab Emirates           | 5                       | 43              | 2                 | 7                 |
| United Kingdom                 | 16                      | 15              | 23                | 76                |
| United States                  | 62                      | 35              | 66                | 124               |
| Uruguay                        | 155                     | 160             | 137               | 101               |
| Uzbekistan                     | 154                     | 142             | 78                | 176               |
| Vanuatu                        | 19                      | 98              | 27                | 2                 |
| Venezuela, R.B.                | 178                     | 178             | 179               | 141               |
| Vietnam                        | 124                     | 102             | 181               | 54                |
| West Bank and Gaza             | 28                      | 91              | 48                | 14                |
| Yemen, Rep.                    | 146                     | 142             | 100               | 126               |
| Zambia                         | 37                      | 123             | 35                | 12                |
| Zimbabwe                       | 131                     | 155             | 98                | 89                |

**Table 2**  
**Tax payments**

| Economy                  | Number of payments |                     |                     |                      | Rank              |
|--------------------------|--------------------|---------------------|---------------------|----------------------|-------------------|
|                          | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments | Tax payments rank |
| Afghanistan              | 8                  | 1                   | 0                   | 7                    | 15                |
| Albania                  | 44                 | 13                  | 12                  | 19                   | 142               |
| Algeria                  | 34                 | 4                   | 12                  | 18                   | 116               |
| Angola                   | 31                 | 4                   | 12                  | 15                   | 98                |
| Antigua and Barbuda      | 56                 | 13                  | 24                  | 19                   | 167               |
| Argentina                | 9                  | 1                   | 1                   | 7                    | 24                |
| Armenia                  | 50                 | 13                  | 12                  | 25                   | 156               |
| Australia                | 11                 | 1                   | 4                   | 6                    | 35                |
| Austria                  | 22                 | 1                   | 4                   | 17                   | 80                |
| Azerbaijan               | 18                 | 1                   | 12                  | 5                    | 60                |
| Bahamas, The             | 18                 | 1                   | 12                  | 5                    | 60                |
| Bahrain                  | 25                 | 0                   | 24                  | 1                    | 87                |
| Bangladesh               | 21                 | 6                   | 0                   | 15                   | 76                |
| Belarus                  | 82                 | 18                  | 24                  | 40                   | 181               |
| Belgium                  | 11                 | 1                   | 2                   | 8                    | 35                |
| Belize                   | 40                 | 12                  | 12                  | 16                   | 130               |
| Benin                    | 55                 | 5                   | 24                  | 26                   | 166               |
| Bhutan                   | 18                 | 2                   | 12                  | 4                    | 60                |
| Bolivia                  | 42                 | 1                   | 12                  | 29                   | 135               |
| Bosnia and Herzegovina   | 51                 | 12                  | 12                  | 27                   | 158               |
| Botswana                 | 19                 | 6                   | 0                   | 13                   | 65                |
| Brazil                   | 10                 | 2                   | 2                   | 6                    | 33                |
| Brunei Darussalam        | 15                 | 1                   | 12                  | 2                    | 49                |
| Bulgaria                 | 17                 | 1                   | 1                   | 15                   | 56                |
| Burkina Faso             | 46                 | 2                   | 24                  | 20                   | 146               |
| Burundi                  | 32                 | 1                   | 16                  | 15                   | 102               |
| Cambodia                 | 39                 | 12                  | 12                  | 15                   | 129               |
| Cameroon                 | 44                 | 13                  | 12                  | 19                   | 142               |
| Canada                   | 8                  | 1                   | 3                   | 4                    | 15                |
| Cape Verde               | 43                 | 4                   | 24                  | 15                   | 140               |
| Central African Republic | 54                 | 4                   | 24                  | 26                   | 163               |
| Chad                     | 54                 | 12                  | 24                  | 18                   | 163               |
| Chile                    | 9                  | 1                   | 1                   | 7                    | 24                |
| China                    | 7                  | 2                   | 1                   | 4                    | 9                 |
| Colombia                 | 20                 | 2                   | 1                   | 17                   | 71                |
| Comoros                  | 20                 | 2                   | 0                   | 18                   | 71                |
| Congo, Dem. Rep.         | 32                 | 1                   | 16                  | 15                   | 102               |
| Congo, Rep.              | 61                 | 5                   | 37                  | 19                   | 172               |
| Costa Rica               | 42                 | 5                   | 12                  | 25                   | 135               |
| Côte d'Ivoire            | 64                 | 3                   | 24                  | 37                   | 175               |
| Croatia                  | 17                 | 1                   | 12                  | 4                    | 56                |
| Cyprus                   | 27                 | 5                   | 12                  | 10                   | 91                |
| Czech Republic           | 12                 | 1                   | 2                   | 9                    | 40                |
| Denmark                  | 9                  | 3                   | 1                   | 5                    | 24                |
| Djibouti                 | 35                 | 5                   | 12                  | 18                   | 120               |
| Dominica                 | 38                 | 5                   | 12                  | 21                   | 127               |
| Dominican Republic       | 9                  | 1                   | 4                   | 4                    | 24                |
| Ecuador                  | 8                  | 2                   | 1                   | 5                    | 15                |
| Egypt, Arab Rep.         | 29                 | 1                   | 12                  | 16                   | 94                |
| El Salvador              | 53                 | 13                  | 24                  | 16                   | 160               |
| Equatorial Guinea        | 46                 | 1                   | 24                  | 21                   | 146               |
| Eritrea                  | 18                 | 2                   | 0                   | 16                   | 60                |
| Estonia                  | 7                  | 1                   | 0                   | 6                    | 9                 |
| Ethiopia                 | 19                 | 2                   | 0                   | 17                   | 65                |
| Fiji                     | 33                 | 4                   | 14                  | 15                   | 109               |
| Finland                  | 8                  | 1                   | 3                   | 4                    | 15                |
| France                   | 7                  | 1                   | 2                   | 4                    | 9                 |
| Gabon                    | 26                 | 3                   | 4                   | 19                   | 88                |
| Gambia, The              | 50                 | 6                   | 25                  | 19                   | 156               |
| Georgia                  | 18                 | 4                   | 0                   | 14                   | 60                |
| Germany                  | 16                 | 2                   | 4                   | 10                   | 53                |

**Table 2**  
Tax payments  
*continued*

| Economy               | Number of payments |                     |                     |                      | Rank              |
|-----------------------|--------------------|---------------------|---------------------|----------------------|-------------------|
|                       | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments | Tax payments rank |
| Ghana                 | 33                 | 6                   | 12                  | 15                   | 109               |
| Greece                | 10                 | 1                   | 1                   | 8                    | 33                |
| Grenada               | 30                 | 1                   | 12                  | 17                   | 97                |
| Guatemala             | 24                 | 1                   | 12                  | 11                   | 85                |
| Guinea                | 56                 | 2                   | 36                  | 18                   | 167               |
| Guinea-Bissau         | 46                 | 5                   | 12                  | 29                   | 146               |
| Guyana                | 34                 | 6                   | 12                  | 16                   | 116               |
| Haiti                 | 42                 | 2                   | 25                  | 15                   | 135               |
| Honduras              | 47                 | 5                   | 13                  | 29                   | 149               |
| Hong Kong, China      | 3                  | 1                   | 1                   | 1                    | 2                 |
| Hungary               | 14                 | 4                   | 4                   | 6                    | 43                |
| Iceland               | 31                 | 1                   | 14                  | 16                   | 98                |
| India                 | 56                 | 2                   | 25                  | 29                   | 167               |
| Indonesia             | 51                 | 13                  | 24                  | 14                   | 158               |
| Iran, Islamic Rep.    | 20                 | 1                   | 12                  | 7                    | 71                |
| Iraq                  | 13                 | 1                   | 12                  | 0                    | 42                |
| Ireland               | 9                  | 1                   | 1                   | 7                    | 24                |
| Israel                | 33                 | 2                   | 12                  | 19                   | 109               |
| Italy                 | 15                 | 2                   | 1                   | 12                   | 49                |
| Jamaica               | 72                 | 4                   | 48                  | 20                   | 179               |
| Japan                 | 14                 | 2                   | 2                   | 10                   | 43                |
| Jordan                | 26                 | 2                   | 12                  | 12                   | 88                |
| Kazakhstan            | 9                  | 1                   | 1                   | 7                    | 24                |
| Kenya                 | 41                 | 5                   | 14                  | 22                   | 133               |
| Kiribati              | 7                  | 5                   | 2                   | 0                    | 9                 |
| Korea, Rep.           | 14                 | 1                   | 5                   | 8                    | 43                |
| Kosovo                | 33                 | 5                   | 12                  | 16                   | 109               |
| Kuwait                | 15                 | 3                   | 12                  | 0                    | 49                |
| Kyrgyz Republic       | 48                 | 5                   | 12                  | 31                   | 152               |
| Lao PDR               | 34                 | 4                   | 12                  | 18                   | 116               |
| Latvia                | 7                  | 1                   | 1                   | 5                    | 9                 |
| Lebanon               | 19                 | 1                   | 12                  | 6                    | 65                |
| Lesotho               | 21                 | 5                   | 0                   | 16                   | 76                |
| Liberia               | 32                 | 4                   | 12                  | 16                   | 102               |
| Lithuania             | 11                 | 1                   | 2                   | 8                    | 35                |
| Luxembourg            | 22                 | 2                   | 12                  | 8                    | 80                |
| Macedonia, FYR        | 40                 | 12                  | 12                  | 16                   | 130               |
| Madagascar            | 23                 | 1                   | 8                   | 14                   | 83                |
| Malawi                | 19                 | 2                   | 1                   | 16                   | 65                |
| Malaysia              | 12                 | 1                   | 2                   | 9                    | 40                |
| Maldives              | 3                  | 0                   | 0                   | 3                    | 2                 |
| Mali                  | 59                 | 4                   | 36                  | 19                   | 170               |
| Marshall Islands      | 21                 | 0                   | 16                  | 5                    | 76                |
| Mauritania            | 38                 | 3                   | 13                  | 22                   | 127               |
| Mauritius             | 7                  | 1                   | 1                   | 5                    | 9                 |
| Mexico                | 6                  | 1                   | 2                   | 3                    | 7                 |
| Micronesia, Fed. Sts. | 21                 | 0                   | 4                   | 17                   | 76                |
| Moldova               | 48                 | 1                   | 28                  | 19                   | 152               |
| Mongolia              | 43                 | 13                  | 12                  | 18                   | 140               |
| Montenegro            | 77                 | 12                  | 48                  | 17                   | 180               |
| Morocco               | 28                 | 1                   | 12                  | 15                   | 93                |
| Mozambique            | 37                 | 7                   | 12                  | 18                   | 123               |
| Namibia               | 37                 | 3                   | 12                  | 22                   | 123               |
| Nepal                 | 34                 | 4                   | 12                  | 18                   | 116               |
| Netherlands           | 9                  | 1                   | 1                   | 7                    | 24                |
| New Zealand           | 8                  | 1                   | 2                   | 5                    | 15                |
| Nicaragua             | 64                 | 13                  | 24                  | 27                   | 175               |
| Niger                 | 41                 | 3                   | 13                  | 25                   | 133               |
| Nigeria               | 35                 | 3                   | 14                  | 18                   | 120               |
| Norway                | 4                  | 1                   | 1                   | 2                    | 5                 |
| Oman                  | 14                 | 1                   | 12                  | 1                    | 43                |

**Table 2**  
Tax payments  
continued

| Economy                        | Number of payments |                     |                     |                      | Rank              |
|--------------------------------|--------------------|---------------------|---------------------|----------------------|-------------------|
|                                | Total tax payments | Profit tax payments | Labour tax payments | Other taxes payments | Tax payments rank |
| Pakistan                       | 47                 | 5                   | 25                  | 17                   | 149               |
| Palau                          | 19                 | 4                   | 12                  | 3                    | 65                |
| Panama                         | 62                 | 5                   | 24                  | 33                   | 173               |
| Papua New Guinea               | 33                 | 1                   | 13                  | 19                   | 109               |
| Paraguay                       | 35                 | 5                   | 12                  | 18                   | 120               |
| Peru                           | 9                  | 1                   | 2                   | 6                    | 24                |
| Philippines                    | 47                 | 1                   | 36                  | 10                   | 149               |
| Poland                         | 29                 | 12                  | 1                   | 16                   | 94                |
| Portugal                       | 8                  | 1                   | 1                   | 6                    | 15                |
| Puerto Rico                    | 16                 | 5                   | 6                   | 5                    | 53                |
| Qatar                          | 3                  | 0                   | 1                   | 2                    | 2                 |
| Romania                        | 113                | 4                   | 84                  | 25                   | 182               |
| Russian Federation             | 11                 | 1                   | 3                   | 7                    | 35                |
| Rwanda                         | 26                 | 5                   | 4                   | 17                   | 88                |
| Samoa                          | 37                 | 5                   | 24                  | 8                    | 123               |
| São Tomé and Príncipe          | 42                 | 2                   | 12                  | 28                   | 135               |
| Saudi Arabia                   | 14                 | 1                   | 12                  | 1                    | 43                |
| Senegal                        | 59                 | 3                   | 36                  | 20                   | 170               |
| Serbia                         | 66                 | 12                  | 12                  | 42                   | 177               |
| Seychelles                     | 16                 | 1                   | 12                  | 3                    | 53                |
| Sierra Leone                   | 29                 | 1                   | 12                  | 16                   | 94                |
| Singapore                      | 5                  | 1                   | 1                   | 3                    | 6                 |
| Slovak Republic                | 31                 | 1                   | 12                  | 18                   | 98                |
| Slovenia                       | 22                 | 1                   | 12                  | 9                    | 80                |
| Solomon Islands                | 33                 | 6                   | 12                  | 15                   | 109               |
| South Africa                   | 9                  | 2                   | 3                   | 4                    | 24                |
| Spain                          | 8                  | 1                   | 1                   | 6                    | 15                |
| Sri Lanka                      | 62                 | 5                   | 24                  | 33                   | 173               |
| St. Kitts and Nevis            | 24                 | 4                   | 12                  | 8                    | 85                |
| St. Lucia                      | 32                 | 1                   | 12                  | 19                   | 102               |
| St. Vincent and the Grenadines | 32                 | 4                   | 12                  | 16                   | 102               |
| Sudan                          | 42                 | 2                   | 12                  | 28                   | 135               |
| Suriname                       | 17                 | 4                   | 0                   | 13                   | 56                |
| Swaziland                      | 33                 | 2                   | 13                  | 18                   | 109               |
| Sweden                         | 2                  | 1                   | 0                   | 1                    | 1                 |
| Switzerland                    | 19                 | 2                   | 7                   | 10                   | 65                |
| Syrian Arab Republic           | 20                 | 2                   | 12                  | 6                    | 71                |
| Taiwan, China                  | 17                 | 2                   | 3                   | 12                   | 56                |
| Tajikistan                     | 54                 | 12                  | 12                  | 30                   | 163               |
| Tanzania                       | 48                 | 5                   | 24                  | 19                   | 152               |
| Thailand                       | 23                 | 2                   | 13                  | 8                    | 83                |
| Timor-Leste                    | 6                  | 5                   | 0                   | 1                    | 7                 |
| Togo                           | 53                 | 5                   | 24                  | 24                   | 160               |
| Tonga                          | 20                 | 1                   | 0                   | 19                   | 71                |
| Trinidad and Tobago            | 40                 | 4                   | 24                  | 12                   | 130               |
| Tunisia                        | 8                  | 1                   | 4                   | 3                    | 15                |
| Turkey                         | 15                 | 1                   | 1                   | 13                   | 49                |
| Uganda                         | 32                 | 3                   | 12                  | 17                   | 102               |
| Ukraine                        | 135                | 5                   | 108                 | 22                   | 183               |
| United Arab Emirates           | 14                 | 0                   | 12                  | 2                    | 43                |
| United Kingdom                 | 8                  | 1                   | 1                   | 6                    | 15                |
| United States                  | 11                 | 2                   | 4                   | 5                    | 35                |
| Uruguay                        | 53                 | 1                   | 24                  | 28                   | 160               |
| Uzbekistan                     | 44                 | 8                   | 12                  | 24                   | 142               |
| Vanuatu                        | 31                 | 0                   | 12                  | 19                   | 98                |
| Venezuela, R.B.                | 70                 | 14                  | 28                  | 28                   | 178               |
| Vietnam                        | 32                 | 6                   | 12                  | 14                   | 102               |
| West Bank and Gaza             | 27                 | 14                  | 0                   | 13                   | 91                |
| Yemen, Rep.                    | 44                 | 1                   | 24                  | 19                   | 142               |
| Zambia                         | 37                 | 5                   | 13                  | 19                   | 123               |
| Zimbabwe                       | 49                 | 5                   | 14                  | 30                   | 155               |

**Table 3**  
Time to comply

| Economy                  | Number of hours |                           |                 |                      | Rank      |
|--------------------------|-----------------|---------------------------|-----------------|----------------------|-----------|
|                          | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time | Time rank |
| Afghanistan              | 275             | 77                        | 120             | 78                   | 118       |
| Albania                  | 360             | 120                       | 96              | 144                  | 146       |
| Algeria                  | 451             | 152                       | 110             | 189                  | 161       |
| Angola                   | 282             | 75                        | 125             | 82                   | 122       |
| Antigua and Barbuda      | 207             | 23                        | 136             | 48                   | 79        |
| Argentina                | 453             | 105                       | 108             | 240                  | 162       |
| Armenia                  | 581             | 146                       | 233             | 202                  | 169       |
| Australia                | 109             | 37                        | 18              | 54                   | 22        |
| Austria                  | 170             | 49                        | 54              | 67                   | 59        |
| Azerbaijan               | 306             | 64                        | 101             | 141                  | 128       |
| Bahamas, The             | 58              | 10                        | 48              | 0                    | 5         |
| Bahrain                  | 36              | 0                         | 36              | 0                    | 3         |
| Bangladesh               | 302             | 140                       | 0               | 162                  | 127       |
| Belarus                  | 798             | 494                       | 112             | 192                  | 178       |
| Belgium                  | 156             | 20                        | 40              | 96                   | 50        |
| Belize                   | 147             | 27                        | 60              | 60                   | 44        |
| Benin                    | 270             | 30                        | 120             | 120                  | 109       |
| Bhutan                   | 274             | 250                       | 24              | 0                    | 117       |
| Bolivia                  | 1080            | 120                       | 480             | 480                  | 182       |
| Bosnia and Herzegovina   | 422             | 68                        | 96              | 258                  | 158       |
| Botswana                 | 152             | 40                        | 40              | 72                   | 47        |
| Brazil                   | 2600            | 736                       | 490             | 1374                 | 183       |
| Brunei Darussalam        | 144             | 66                        | 78              | 0                    | 41        |
| Bulgaria                 | 616             | 40                        | 288             | 288                  | 171       |
| Burkina Faso             | 270             | 30                        | 120             | 120                  | 109       |
| Burundi                  | 211             | 80                        | 48              | 83                   | 83        |
| Cambodia                 | 173             | 23                        | 84              | 66                   | 61        |
| Cameroon                 | 654             | 180                       | 174             | 300                  | 172       |
| Canada                   | 131             | 45                        | 36              | 50                   | 34        |
| Cape Verde               | 186             | 35                        | 85              | 66                   | 65        |
| Central African Republic | 504             | 24                        | 240             | 240                  | 166       |
| Chad                     | 732             | 300                       | 216             | 216                  | 177       |
| Chile                    | 316             | 42                        | 137             | 137                  | 131       |
| China                    | 398             | 74                        | 192             | 132                  | 154       |
| Colombia                 | 208             | 40                        | 102             | 66                   | 80        |
| Comoros                  | 100             | 4                         | 48              | 48                   | 19        |
| Congo, Dem. Rep.         | 336             | 116                       | 124             | 96                   | 137       |
| Congo, Rep.              | 606             | 275                       | 150             | 181                  | 170       |
| Costa Rica               | 272             | 18                        | 126             | 128                  | 116       |
| Côte d'Ivoire            | 270             | 30                        | 120             | 120                  | 109       |
| Croatia                  | 196             | 60                        | 96              | 40                   | 71        |
| Cyprus                   | 149             | 29                        | 80              | 40                   | 46        |
| Czech Republic           | 557             | 135                       | 262             | 160                  | 167       |
| Denmark                  | 135             | 25                        | 70              | 40                   | 38        |
| Djibouti                 | 90              | 30                        | 36              | 24                   | 17        |
| Dominica                 | 120             | 15                        | 48              | 57                   | 27        |
| Dominican Republic       | 324             | 82                        | 80              | 162                  | 134       |
| Ecuador                  | 654             | 108                       | 306             | 240                  | 172       |
| Egypt, Arab Rep.         | 433             | 69                        | 189             | 175                  | 160       |
| El Salvador              | 320             | 128                       | 96              | 96                   | 132       |
| Equatorial Guinea        | 492             | 145                       | 160             | 187                  | 165       |
| Eritrea                  | 216             | 24                        | 96              | 96                   | 85        |
| Estonia                  | 81              | 20                        | 34              | 27                   | 14        |
| Ethiopia                 | 198             | 150                       | 24              | 24                   | 73        |
| Fiji                     | 163             | 42                        | 61              | 60                   | 56        |
| Finland                  | 243             | 21                        | 200             | 22                   | 99        |
| France                   | 132             | 26                        | 80              | 26                   | 36        |
| Gabon                    | 488             | 137                       | 131             | 220                  | 164       |
| Gambia, The              | 376             | 40                        | 96              | 240                  | 150       |
| Georgia                  | 387             | 140                       | 67              | 180                  | 152       |
| Germany                  | 215             | 30                        | 142             | 43                   | 84        |

**Table 3**  
Time to comply  
*continued*

| Economy               | Number of hours |                           |                 |                      | Rank      |
|-----------------------|-----------------|---------------------------|-----------------|----------------------|-----------|
|                       | Total tax time  | Corporate income tax time | Labour tax time | Consumption tax time | Time rank |
| Ghana                 | 224             | 40                        | 88              | 96                   | 90        |
| Greece                | 224             | 88                        | 48              | 88                   | 90        |
| Grenada               | 140             | 8                         | 96              | 36                   | 39        |
| Guatemala             | 344             | 44                        | 144             | 156                  | 141       |
| Guinea                | 416             | 32                        | 192             | 192                  | 157       |
| Guinea-Bissau         | 208             | 160                       | 24              | 24                   | 80        |
| Guyana                | 288             | 48                        | 48              | 192                  | 124       |
| Haiti                 | 160             | 40                        | 72              | 48                   | 53        |
| Honduras              | 224             | 35                        | 93              | 96                   | 90        |
| Hong Kong, China      | 80              | 50                        | 30              | 0                    | 12        |
| Hungary               | 277             | 35                        | 146             | 96                   | 120       |
| Iceland               | 140             | 40                        | 60              | 40                   | 39        |
| India                 | 258             | 46                        | 96              | 116                  | 104       |
| Indonesia             | 266             | 88                        | 97              | 81                   | 107       |
| Iran, Islamic Rep.    | 344             | 32                        | 240             | 72                   | 141       |
| Iraq                  | 312             | 24                        | 288             | 0                    | 130       |
| Ireland               | 76              | 10                        | 36              | 30                   | 9         |
| Israel                | 235             | 110                       | 60              | 65                   | 97        |
| Italy                 | 285             | 39                        | 214             | 32                   | 123       |
| Jamaica               | 414             | 30                        | 336             | 48                   | 156       |
| Japan                 | 355             | 180                       | 140             | 35                   | 143       |
| Jordan                | 101             | 5                         | 60              | 36                   | 20        |
| Kazakhstan            | 271             | 105                       | 74              | 92                   | 115       |
| Kenya                 | 393             | 60                        | 57              | 276                  | 153       |
| Kiribati              | 120             | 24                        | 96              | 0                    | 27        |
| Korea, Rep.           | 250             | 120                       | 80              | 50                   | 101       |
| Kosovo                | 163             | 32                        | 41              | 90                   | 56        |
| Kuwait                | 118             | 48                        | 70              | 0                    | 25        |
| Kyrgyz Republic       | 202             | 60                        | 71              | 71                   | 77        |
| Lao PDR               | 362             | 138                       | 42              | 182                  | 147       |
| Latvia                | 293             | 31                        | 165             | 97                   | 125       |
| Lebanon               | 180             | 40                        | 100             | 40                   | 63        |
| Lesotho               | 324             | 70                        | 104             | 150                  | 134       |
| Liberia               | 158             | 57                        | 59              | 42                   | 52        |
| Lithuania             | 175             | 32                        | 85              | 58                   | 62        |
| Luxembourg            | 59              | 21                        | 14              | 24                   | 6         |
| Macedonia, FYR        | 119             | 19                        | 56              | 44                   | 26        |
| Madagascar            | 201             | 9                         | 72              | 120                  | 76        |
| Malawi                | 157             | 67                        | 30              | 60                   | 51        |
| Malaysia              | 145             | 28                        | 87              | 30                   | 43        |
| Maldives              | 0               | 0                         | 0               | 0                    | 1         |
| Mali                  | 270             | 30                        | 120             | 120                  | 109       |
| Marshall Islands      | 128             | 0                         | 96              | 32                   | 31        |
| Mauritania            | 696             | 120                       | 96              | 480                  | 176       |
| Mauritius             | 161             | 13                        | 82              | 66                   | 54        |
| Mexico                | 404             | 157                       | 73              | 174                  | 155       |
| Micronesia, Fed. Sts. | 128             | 0                         | 96              | 32                   | 31        |
| Moldova               | 228             | 80                        | 88              | 60                   | 95        |
| Mongolia              | 192             | 57                        | 63              | 72                   | 67        |
| Montenegro            | 372             | 43                        | 136             | 193                  | 148       |
| Morocco               | 358             | 70                        | 48              | 240                  | 145       |
| Mozambique            | 230             | 50                        | 60              | 120                  | 96        |
| Namibia               | 375             | 41                        | 46              | 288                  | 149       |
| Nepal                 | 338             | 120                       | 96              | 122                  | 140       |
| Netherlands           | 134             | 32                        | 64              | 38                   | 37        |
| New Zealand           | 192             | 25                        | 67              | 100                  | 67        |
| Nicaragua             | 222             | 74                        | 76              | 72                   | 87        |
| Niger                 | 270             | 30                        | 120             | 120                  | 109       |
| Nigeria               | 938             | 398                       | 378             | 162                  | 180       |
| Norway                | 87              | 24                        | 15              | 48                   | 16        |
| Oman                  | 62              | 50                        | 12              | 0                    | 7         |

**Table 3**  
Time to comply  
*continued*

| Economy                        | Number of hours |                 |                 |                      | Rank      |
|--------------------------------|-----------------|-----------------|-----------------|----------------------|-----------|
|                                | Total tax time  | Corporate       |                 | Consumption tax time | Time rank |
|                                |                 | income tax time | Labour tax time |                      |           |
| Pakistan                       | 560             | 40              | 40              | 480                  | 168       |
| Palau                          | 128             | 32              | 96              | 0                    | 31        |
| Panama                         | 482             | 50              | 180             | 252                  | 163       |
| Papua New Guinea               | 194             | 153             | 8               | 33                   | 69        |
| Paraguay                       | 311             | 35              | 132             | 144                  | 129       |
| Peru                           | 380             | 43              | 181             | 156                  | 151       |
| Philippines                    | 195             | 37              | 38              | 120                  | 70        |
| Poland                         | 325             | 72              | 132             | 121                  | 136       |
| Portugal                       | 298             | 40              | 162             | 96                   | 126       |
| Puerto Rico                    | 218             | 80              | 60              | 78                   | 86        |
| Qatar                          | 36              | 0               | 36              | 0                    | 3         |
| Romania                        | 222             | 42              | 120             | 60                   | 87        |
| Russian Federation             | 320             | 160             | 96              | 64                   | 132       |
| Rwanda                         | 148             | 22              | 48              | 78                   | 45        |
| Samoa                          | 224             | 48              | 96              | 80                   | 90        |
| São Tomé and Príncipe          | 424             | 40              | 192             | 192                  | 159       |
| Saudi Arabia                   | 79              | 20              | 59              | 0                    | 11        |
| Senegal                        | 666             | 120             | 96              | 450                  | 175       |
| Serbia                         | 279             | 48              | 126             | 105                  | 121       |
| Seychelles                     | 76              | 40              | 36              | 0                    | 9         |
| Sierra Leone                   | 357             | 15              | 168             | 174                  | 144       |
| Singapore                      | 84              | 34              | 10              | 40                   | 15        |
| Slovak Republic                | 257             | 43              | 100             | 114                  | 103       |
| Slovenia                       | 260             | 90              | 96              | 74                   | 105       |
| Solomon Islands                | 80              | 8               | 30              | 42                   | 12        |
| South Africa                   | 200             | 100             | 50              | 50                   | 75        |
| Spain                          | 197             | 33              | 90              | 74                   | 72        |
| Sri Lanka                      | 256             | 16              | 96              | 144                  | 102       |
| St. Kitts and Nevis            | 155             | 27              | 128             | 0                    | 49        |
| St. Lucia                      | 92              | 11              | 51              | 30                   | 18        |
| St. Vincent and the Grenadines | 111             | 14              | 52              | 45                   | 24        |
| Sudan                          | 180             | 70              | 70              | 40                   | 63        |
| Suriname                       | 199             | 48              | 24              | 127                  | 74        |
| Swaziland                      | 104             | 8               | 48              | 48                   | 21        |
| Sweden                         | 122             | 50              | 36              | 36                   | 30        |
| Switzerland                    | 63              | 15              | 40              | 8                    | 8         |
| Syrian Arab Republic           | 336             | 300             | 36              | 0                    | 137       |
| Taiwan, China                  | 269             | 209             | 27              | 33                   | 108       |
| Tajikistan                     | 224             | 80              | 48              | 96                   | 90        |
| Tanzania                       | 172             | 60              | 52              | 60                   | 60        |
| Thailand                       | 264             | 160             | 48              | 56                   | 106       |
| Timor-Leste                    | 276             | 132             | 144             | 0                    | 119       |
| Togo                           | 270             | 30              | 120             | 120                  | 109       |
| Tonga                          | 164             | 8               | 12              | 144                  | 58        |
| Trinidad and Tobago            | 210             | 45              | 75              | 90                   | 82        |
| Tunisia                        | 144             | 64              | 30              | 50                   | 41        |
| Turkey                         | 223             | 46              | 80              | 97                   | 89        |
| Uganda                         | 161             | 35              | 66              | 60                   | 54        |
| Ukraine                        | 657             | 112             | 364             | 181                  | 174       |
| United Arab Emirates           | 12              | 0               | 12              | 0                    | 2         |
| United Kingdom                 | 110             | 35              | 45              | 30                   | 23        |
| United States                  | 187             | 99              | 55              | 33                   | 66        |
| Uruguay                        | 336             | 100             | 128             | 108                  | 137       |
| Uzbekistan                     | 205             | 66              | 69              | 70                   | 78        |
| Vanuatu                        | 120             | 0               | 24              | 96                   | 27        |
| Venezuela, R.B.                | 864             | 120             | 360             | 384                  | 179       |
| Vietnam                        | 941             | 233             | 372             | 336                  | 181       |
| West Bank and Gaza             | 154             | 10              | 96              | 48                   | 48        |
| Yemen, Rep.                    | 248             | 56              | 72              | 120                  | 100       |
| Zambia                         | 132             | 48              | 24              | 60                   | 35        |
| Zimbabwe                       | 242             | 78              | 96              | 68                   | 98        |

**Table 4**  
Total Tax Rate (TTR)

| Economy                  | Total Tax Rate |                   |                   |                    | Rank        |
|--------------------------|----------------|-------------------|-------------------|--------------------|-------------|
|                          | TTR            | Profit tax<br>TTR | Labour tax<br>TTR | Other taxes<br>TTR | TTR<br>rank |
| Afghanistan              | 36.4%          | 0.0%              | 0.0%              | 36.4%              | 72          |
| Albania                  | 40.6%          | 8.5%              | 27.2%             | 4.9%               | 92          |
| Algeria                  | 72.0%          | 6.6%              | 29.7%             | 35.7%              | 169         |
| Angola                   | 53.2%          | 24.6%             | 9.0%              | 19.5%              | 143         |
| Antigua and Barbuda      | 41.5%          | 26.0%             | 9.5%              | 6.0%               | 97          |
| Argentina                | 108.2%         | 2.8%              | 29.4%             | 76.0%              | 177         |
| Armenia                  | 40.7%          | 16.6%             | 23.0%             | 1.1%               | 94          |
| Australia                | 47.9%          | 25.9%             | 20.7%             | 1.3%               | 127         |
| Austria                  | 55.5%          | 15.7%             | 34.6%             | 5.2%               | 148         |
| Azerbaijan               | 40.9%          | 13.8%             | 24.9%             | 2.2%               | 95          |
| Bahamas, The             | 46.1%          | 0.0%              | 4.5%              | 41.6%              | 121         |
| Bahrain                  | 15.0%          | 0.0%              | 14.6%             | 0.4%               | 9           |
| Bangladesh               | 35.0%          | 25.7%             | 0.0%              | 9.3%               | 65          |
| Belarus                  | 80.4%          | 22.0%             | 39.3%             | 19.1%              | 173         |
| Belgium                  | 57.0%          | 4.8%              | 50.4%             | 1.8%               | 151         |
| Belize                   | 33.2%          | 24.8%             | 7.0%              | 1.4%               | 56          |
| Benin                    | 66.0%          | 14.8%             | 27.3%             | 23.9%              | 164         |
| Bhutan                   | 40.6%          | 35.1%             | 1.1%              | 4.4%               | 91          |
| Bolivia                  | 80.0%          | 0.0%              | 15.5%             | 64.5%              | 172         |
| Bosnia and Herzegovina   | 23.0%          | 5.3%              | 12.6%             | 5.1%               | 22          |
| Botswana                 | 19.5%          | 15.9%             | 0.0%              | 3.6%               | 16          |
| Brazil                   | 69.0%          | 21.4%             | 40.9%             | 6.7%               | 168         |
| Brunei Darussalam        | 29.8%          | 24.2%             | 5.6%              | 0.0%               | 39          |
| Bulgaria                 | 29.0%          | 4.6%              | 20.5%             | 3.9%               | 35          |
| Burkina Faso             | 44.9%          | 16.1%             | 22.6%             | 6.2%               | 115         |
| Burundi                  | 153.4%         | 19.4%             | 7.8%              | 126.2%             | 178         |
| Cambodia                 | 22.5%          | 18.9%             | 0.1%              | 3.5%               | 20          |
| Cameroon                 | 49.1%          | 29.9%             | 18.3%             | 0.9%               | 133         |
| Canada                   | 29.2%          | 9.8%              | 12.6%             | 6.8%               | 37          |
| Cape Verde               | 37.1%          | 17.8%             | 18.5%             | 0.8%               | 75          |
| Central African Republic | 203.8%         | 176.8%            | 8.1%              | 18.9%              | 179         |
| Chad                     | 65.4%          | 31.3%             | 28.4%             | 5.7%               | 161         |
| Chile                    | 25.0%          | 18.0%             | 3.8%              | 3.2%               | 26          |
| China                    | 63.5%          | 6.0%              | 49.6%             | 7.9%               | 158         |
| Colombia                 | 78.7%          | 17.7%             | 33.9%             | 27.1%              | 171         |
| Comoros                  | 217.9%         | 31.4%             | 0.0%              | 186.5%             | 180         |
| Congo, Dem. Rep.         | 339.7%         | 58.9%             | 7.9%              | 272.9%             | 183         |
| Congo, Rep.              | 65.5%          | 0.0%              | 32.9%             | 32.6%              | 162         |
| Costa Rica               | 55.0%          | 18.9%             | 29.5%             | 6.6%               | 147         |
| Côte d'Ivoire            | 44.4%          | 8.8%              | 20.1%             | 15.5%              | 111         |
| Croatia                  | 32.5%          | 11.4%             | 19.5%             | 1.6%               | 52          |
| Cyprus                   | 23.2%          | 9.4%              | 11.6%             | 2.2%               | 23          |
| Czech Republic           | 48.8%          | 7.4%              | 38.4%             | 3.0%               | 132         |
| Denmark                  | 29.2%          | 21.9%             | 3.6%              | 3.7%               | 36          |
| Djibouti                 | 38.7%          | 17.7%             | 17.7%             | 3.3%               | 84          |
| Dominica                 | 37.0%          | 25.9%             | 7.9%              | 3.2%               | 74          |
| Dominican Republic       | 40.7%          | 20.6%             | 18.3%             | 1.8%               | 93          |
| Ecuador                  | 35.3%          | 18.4%             | 13.7%             | 3.2%               | 67          |
| Egypt, Arab Rep.         | 42.6%          | 13.2%             | 25.8%             | 3.6%               | 104         |
| El Salvador              | 35.0%          | 17.0%             | 17.2%             | 0.8%               | 66          |
| Equatorial Guinea        | 59.5%          | 13.5%             | 25.4%             | 20.6%              | 154         |
| Eritrea                  | 84.5%          | 8.8%              | 0.0%              | 75.7%              | 174         |
| Estonia                  | 49.6%          | 8.0%              | 39.2%             | 2.4%               | 134         |
| Ethiopia                 | 31.1%          | 26.8%             | 0.0%              | 4.3%               | 45          |
| Fiji                     | 39.3%          | 28.9%             | 10.2%             | 0.2%               | 86          |
| Finland                  | 44.6%          | 15.9%             | 27.7%             | 1.0%               | 113         |
| France                   | 65.8%          | 8.2%              | 51.7%             | 5.9%               | 163         |
| Gabon                    | 43.5%          | 18.4%             | 22.8%             | 2.3%               | 107         |
| Gambia, The              | 292.3%         | 41.4%             | 12.9%             | 238.0%             | 182         |
| Georgia                  | 15.3%          | 13.3%             | 0.0%              | 2.0%               | 10          |
| Germany                  | 48.2%          | 22.9%             | 22.0%             | 3.3%               | 128         |

**Table 4**  
Total Tax Rate (TTR)  
*continued*

| Economy               | Total Tax Rate |                   |                   |                    | Rank        |
|-----------------------|----------------|-------------------|-------------------|--------------------|-------------|
|                       | TTR            | Profit tax<br>TTR | Labour tax<br>TTR | Other taxes<br>TTR | TTR<br>rank |
| Ghana                 | 32.7%          | 18.1%             | 14.1%             | 0.5%               | 53          |
| Greece                | 47.2%          | 13.9%             | 31.7%             | 1.6%               | 125         |
| Grenada               | 45.3%          | 27.6%             | 5.6%              | 12.1%              | 117         |
| Guatemala             | 40.9%          | 25.9%             | 14.3%             | 0.7%               | 96          |
| Guinea                | 54.6%          | 19.4%             | 24.5%             | 10.7%              | 145         |
| Guinea-Bissau         | 45.9%          | 14.9%             | 24.8%             | 6.2%               | 119         |
| Guyana                | 38.9%          | 26.8%             | 8.8%              | 3.3%               | 85          |
| Haiti                 | 40.1%          | 23.4%             | 12.4%             | 4.3%               | 87          |
| Honduras              | 48.3%          | 26.7%             | 10.7%             | 10.9%              | 129         |
| Hong Kong, China      | 24.1%          | 18.7%             | 5.3%              | 0.1%               | 24          |
| Hungary               | 53.3%          | 16.7%             | 34.4%             | 2.2%               | 144         |
| Iceland               | 26.8%          | 6.9%              | 14.9%             | 5.0%               | 32          |
| India                 | 63.3%          | 24.0%             | 18.2%             | 21.1%              | 157         |
| Indonesia             | 37.3%          | 26.6%             | 10.6%             | 0.1%               | 77          |
| Iran, Islamic Rep.    | 44.1%          | 17.8%             | 25.9%             | 0.4%               | 109         |
| Iraq                  | 28.4%          | 14.9%             | 13.5%             | 0.0%               | 34          |
| Ireland               | 26.5%          | 11.9%             | 11.6%             | 3.0%               | 30          |
| Israel                | 31.7%          | 23.8%             | 5.3%              | 2.6%               | 49          |
| Italy                 | 68.6%          | 22.8%             | 43.4%             | 2.4%               | 167         |
| Jamaica               | 50.1%          | 28.6%             | 13.0%             | 8.5%               | 136         |
| Japan                 | 48.6%          | 27.9%             | 14.7%             | 6.0%               | 130         |
| Jordan                | 31.2%          | 15.2%             | 12.4%             | 3.6%               | 46          |
| Kazakhstan            | 29.6%          | 16.2%             | 11.5%             | 1.9%               | 38          |
| Kenya                 | 49.7%          | 33.1%             | 6.8%              | 9.8%               | 135         |
| Kiribati              | 31.8%          | 23.3%             | 8.5%              | 0.0%               | 50          |
| Korea, Rep.           | 29.8%          | 15.3%             | 12.9%             | 1.6%               | 40          |
| Kosovo                | 16.5%          | 10.3%             | 5.6%              | 0.6%               | 13          |
| Kuwait                | 15.5%          | 4.8%              | 10.7%             | 0.0%               | 11          |
| Kyrgyz Republic       | 57.2%          | 8.9%              | 21.5%             | 26.8%              | 152         |
| Lao PDR               | 33.7%          | 25.2%             | 5.6%              | 2.9%               | 59          |
| Latvia                | 38.5%          | 6.5%              | 27.2%             | 4.8%               | 81          |
| Lebanon               | 30.2%          | 6.1%              | 24.1%             | 0.0%               | 42          |
| Lesotho               | 19.6%          | 16.4%             | 0.0%              | 3.2%               | 17          |
| Liberia               | 43.7%          | 0.0%              | 5.4%              | 38.3%              | 108         |
| Lithuania             | 38.7%          | 0.0%              | 35.1%             | 3.6%               | 83          |
| Luxembourg            | 21.1%          | 4.1%              | 15.4%             | 1.6%               | 18          |
| Macedonia, FYR        | 10.6%          | 6.2%              | 0.6%              | 3.8%               | 5           |
| Madagascar            | 37.7%          | 15.8%             | 20.3%             | 1.6%               | 79          |
| Malawi                | 25.1%          | 23.3%             | 1.1%              | 0.7%               | 27          |
| Malaysia              | 33.7%          | 16.7%             | 15.6%             | 1.4%               | 58          |
| Maldives              | 9.3%           | 0.0%              | 0.0%              | 9.3%               | 3           |
| Mali                  | 52.2%          | 12.9%             | 32.6%             | 6.7%               | 140         |
| Marshall Islands      | 64.9%          | 0.0%              | 11.8%             | 53.1%              | 160         |
| Mauritania            | 68.4%          | 44.2%             | 17.6%             | 6.6%               | 166         |
| Mauritius             | 24.1%          | 11.8%             | 5.0%              | 7.3%               | 25          |
| Mexico                | 50.5%          | 23.1%             | 26.1%             | 1.3%               | 138         |
| Micronesia, Fed. Sts. | 58.7%          | 0.0%              | 6.8%              | 51.9%              | 153         |
| Moldova               | 30.9%          | 0.0%              | 30.2%             | 0.7%               | 44          |
| Mongolia              | 23.0%          | 9.5%              | 12.5%             | 1.0%               | 21          |
| Montenegro            | 26.6%          | 6.6%              | 17.9%             | 2.1%               | 31          |
| Morocco               | 41.7%          | 18.1%             | 22.2%             | 1.4%               | 99          |
| Mozambique            | 34.3%          | 27.7%             | 4.5%              | 2.1%               | 62          |
| Namibia               | 9.6%           | 4.0%              | 1.0%              | 4.6%               | 4           |
| Nepal                 | 38.2%          | 16.2%             | 11.3%             | 10.7%              | 80          |
| Netherlands           | 40.5%          | 20.9%             | 17.9%             | 1.7%               | 90          |
| New Zealand           | 34.3%          | 30.4%             | 3.0%              | 0.9%               | 63          |
| Nicaragua             | 63.2%          | 24.8%             | 19.2%             | 19.2%              | 156         |
| Niger                 | 46.5%          | 20.1%             | 19.6%             | 6.8%               | 122         |
| Nigeria               | 32.2%          | 21.8%             | 9.7%              | 0.7%               | 51          |
| Norway                | 41.6%          | 24.4%             | 15.9%             | 1.3%               | 98          |
| Oman                  | 21.6%          | 9.7%              | 11.8%             | 0.1%               | 19          |

**Table 4**  
**Total Tax Rate (TTR)**  
*continued*

| Economy                        | Total Tax Rate |                   |                   | Other taxes<br>TTR | Rank<br>TTR<br>rank |
|--------------------------------|----------------|-------------------|-------------------|--------------------|---------------------|
|                                | TTR            | Profit tax<br>TTR | Labour tax<br>TTR |                    |                     |
| Pakistan                       | 31.6%          | 14.3%             | 15.0%             | 2.3%               | 48                  |
| Palau                          | 73.0%          | 66.0%             | 6.5%              | 0.5%               | 170                 |
| Panama                         | 50.1%          | 17.0%             | 22.6%             | 10.5%              | 137                 |
| Papua New Guinea               | 42.3%          | 22.0%             | 11.7%             | 8.6%               | 103                 |
| Paraguay                       | 35.0%          | 9.6%              | 18.6%             | 6.8%               | 64                  |
| Peru                           | 40.2%          | 26.0%             | 11.0%             | 3.2%               | 88                  |
| Philippines                    | 45.8%          | 21.3%             | 10.3%             | 14.2%              | 118                 |
| Poland                         | 42.3%          | 17.7%             | 22.1%             | 2.5%               | 102                 |
| Portugal                       | 43.3%          | 14.9%             | 26.8%             | 1.6%               | 106                 |
| Puerto Rico                    | 67.7%          | 26.3%             | 14.4%             | 27.0%              | 165                 |
| Qatar                          | 11.3%          | 0.0%              | 11.3%             | 0.0%               | 6                   |
| Romania                        | 44.9%          | 10.4%             | 32.3%             | 2.2%               | 114                 |
| Russian Federation             | 46.5%          | 9.0%              | 31.8%             | 5.7%               | 123                 |
| Rwanda                         | 31.3%          | 21.2%             | 5.7%              | 4.4%               | 47                  |
| Samoa                          | 18.9%          | 11.9%             | 7.0%              | 0.0%               | 15                  |
| São Tomé and Príncipe          | 33.3%          | 21.9%             | 6.8%              | 4.6%               | 57                  |
| Saudi Arabia                   | 14.5%          | 2.1%              | 12.4%             | 0.0%               | 8                   |
| Senegal                        | 46.0%          | 14.8%             | 24.1%             | 7.1%               | 120                 |
| Serbia                         | 34.0%          | 11.6%             | 20.2%             | 2.2%               | 60                  |
| Seychelles                     | 44.1%          | 20.8%             | 22.6%             | 0.7%               | 110                 |
| Sierra Leone                   | 235.6%         | 0.0%              | 11.3%             | 224.3%             | 181                 |
| Singapore                      | 25.4%          | 7.4%              | 14.9%             | 3.1%               | 28                  |
| Slovak Republic                | 48.7%          | 7.0%              | 39.6%             | 2.1%               | 131                 |
| Slovenia                       | 35.4%          | 14.8%             | 18.2%             | 2.4%               | 68                  |
| Solomon Islands                | 36.4%          | 25.7%             | 8.5%              | 2.2%               | 71                  |
| South Africa                   | 30.5%          | 24.3%             | 2.5%              | 3.7%               | 43                  |
| Spain                          | 56.5%          | 20.9%             | 34.9%             | 0.7%               | 150                 |
| Sri Lanka                      | 64.7%          | 27.4%             | 16.9%             | 20.4%              | 159                 |
| St. Kitts and Nevis            | 52.7%          | 32.7%             | 11.3%             | 8.7%               | 142                 |
| St. Lucia                      | 34.0%          | 25.5%             | 5.6%              | 2.9%               | 61                  |
| St. Vincent and the Grenadines | 38.7%          | 30.2%             | 5.1%              | 3.4%               | 82                  |
| Sudan                          | 36.1%          | 13.8%             | 19.2%             | 3.1%               | 70                  |
| Suriname                       | 27.9%          | 27.9%             | 0.0%              | 0.0%               | 33                  |
| Swaziland                      | 36.8%          | 28.1%             | 4.0%              | 4.7%               | 73                  |
| Sweden                         | 54.6%          | 16.4%             | 36.6%             | 1.6%               | 146                 |
| Switzerland                    | 30.1%          | 8.9%              | 17.6%             | 3.6%               | 41                  |
| Syrian Arab Republic           | 42.9%          | 23.1%             | 19.3%             | 0.5%               | 105                 |
| Taiwan, China                  | 41.9%          | 21.0%             | 16.7%             | 4.2%               | 100                 |
| Tajikistan                     | 86.0%          | 17.7%             | 28.5%             | 39.8%              | 175                 |
| Tanzania                       | 45.2%          | 19.9%             | 18.0%             | 7.3%               | 116                 |
| Thailand                       | 37.4%          | 28.9%             | 5.7%              | 2.8%               | 78                  |
| Timor-Leste                    | 0.2%           | 0.0%              | 0.0%              | 0.2%               | 1                   |
| Togo                           | 50.8%          | 8.8%              | 28.3%             | 13.7%              | 139                 |
| Tonga                          | 25.5%          | 24.3%             | 0.0%              | 1.2%               | 29                  |
| Trinidad and Tobago            | 33.1%          | 21.6%             | 5.8%              | 5.7%               | 55                  |
| Tunisia                        | 62.8%          | 15.0%             | 25.2%             | 22.6%              | 155                 |
| Turkey                         | 44.5%          | 17.0%             | 23.1%             | 4.4%               | 112                 |
| Uganda                         | 35.7%          | 23.3%             | 11.3%             | 1.1%               | 69                  |
| Ukraine                        | 55.5%          | 10.4%             | 43.3%             | 1.8%               | 149                 |
| United Arab Emirates           | 14.1%          | 0.0%              | 14.1%             | 0.0%               | 7                   |
| United Kingdom                 | 37.3%          | 23.2%             | 10.8%             | 3.3%               | 76                  |
| United States                  | 46.8%          | 27.6%             | 10.0%             | 9.2%               | 124                 |
| Uruguay                        | 42.0%          | 23.5%             | 15.6%             | 2.9%               | 101                 |
| Uzbekistan                     | 95.6%          | 1.6%              | 27.1%             | 66.9%              | 176                 |
| Vanuatu                        | 8.4%           | 0.0%              | 4.5%              | 3.9%               | 2                   |
| Venezuela, R.B.                | 52.6%          | 10.0%             | 18.0%             | 24.6%              | 141                 |
| Vietnam                        | 33.1%          | 12.5%             | 20.3%             | 0.3%               | 54                  |
| West Bank and Gaza             | 16.8%          | 16.2%             | 0.0%              | 0.6%               | 14                  |
| Yemen, Rep.                    | 47.8%          | 35.1%             | 11.3%             | 1.4%               | 126                 |
| Zambia                         | 16.1%          | 1.7%              | 10.4%             | 4.0%               | 12                  |
| Zimbabwe                       | 40.3%          | 24.0%             | 6.2%              | 10.1%              | 89                  |

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