Paying Taxes 2014: The global picture

A comparison of tax systems in 189 economies worldwide

Paying Taxes 2014

pwc

Doing Business
THE WORLD BANK IFC

www.pwc.com/payingtaxes

Contacts

PwC*
John Preston
Global Head of External Relations,
Regulation and Policy for Tax
PwC UK
+44 20 7804 2645
john.preston@uk.pwc.com

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

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

The World Bank/IFC
Augusto Lopez Claros
Director
Global Indicators and Analysis.
+1 202 458 8945
alopezclaros@ifc.org

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

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

* 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network.

Contents

Foreword

Andrew Packman

Tax Transparency and
Total Tax Contribution leader

PwC UK

Augusto Lopez Claros

Director, Global Indicators
and Analysis

The World Bank Group

This is the ninth year that the *Paying Taxes* sub-indicator has been part of the World Bank *Doing Business* project. The information that it generates continues to be highly relevant in providing a framework to compare and contrast tax systems around the world in a way that is not seen elsewhere.

The period covered by the study (2004 to 2012) has seen the end of a sustained period of economic growth, a severe recession and a slow recovery. Governments have had to balance the need to attract investment and foster growth while generating tax revenues. While the world is getting used to a 'new normal' as regards economic growth and a new world order in terms of the economies that are leading the recovery from recession, we find the public at large has become ever more interested in how companies are conducting business with a particular focus in ensuring that companies are contributing to the societies in which they operate. Tax and how tax systems operate has firmly moved up the agenda not only for governments, business and the media, but also for the man and woman on the street. Proposals for radical change to the way in which the international tax system works are being discussed and providing robust information to inform this dialogue has never been more important.

In this year's *Paying Taxes* publication we continue to focus on the trends from the *Paying Taxes* data. The analysis looks at this from a regional perspective and this year we have taken a more detailed look at the trends for the types of tax within each of the sub-indicators. This has provided some interesting findings around how governments are choosing to levy taxes.

Last year we saw a slowing in the rate of decline in the Total Tax Rates around the world. This has continued. Excluding the large rate reductions in Africa which arise as cascading sales taxes are replaced, the picture around the world is much more mixed and the overall average Total Tax Rate has actually increased. Some economies continue to reduce their rates to help provide an attractive environment for investment; others are seeing a growing need to increase tax revenues to provide funding for public services and to help reduce public sector deficits. This year we also see the compliance sub-indicators slowing in their rate of decline. This is perhaps inevitable as practices converge towards best practice and a global standard, but in some regions there is still significant progress that needs to be made. In Africa it still takes our case study company over a week more than the global average to comply with its tax obligations, while in South America a further nine weeks are needed. As in previous editions of the *Paying Taxes* publication, we include a number of articles from around the world which give further insights into how governments are addressing the challenges that they face and some of the specific policies that they are implementing.

This year the number of economies covered by the study has increased to 189, and while this number is impressive the value that the study brings lies in the ability to compare and contrast economies within relevant peer groups. The analyses in this publication offer the ability to do this for a particular set of geographical areas drawing out relevant themes and issues, but we would urge you to make use of the tools and detailed information included on our websites which give you the opportunity to create the groupings that are of most use and interest to you.

We hope that the *Paying Taxes* study continues to generate data that you find useful, but if you have any comments or feedback on how we can develop this study further then please let us know.

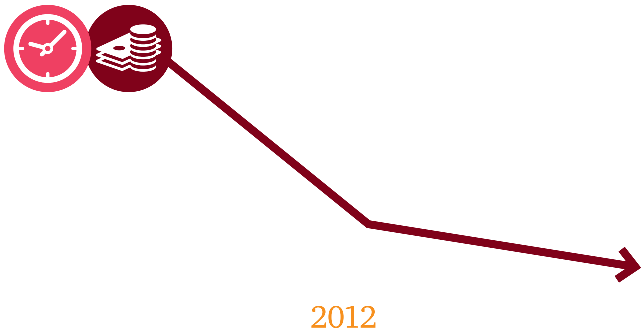
Augusto Lopez Claros **Andrew Packman**

Key themes and findings

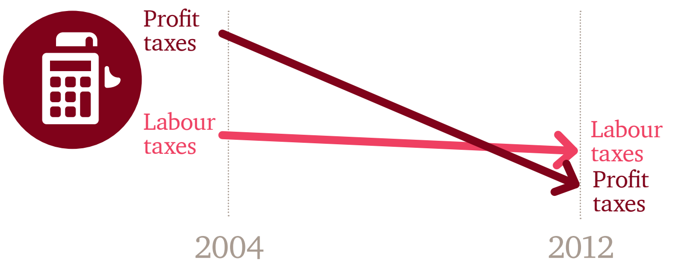
On average it takes our case study company 268 hours to comply with its taxes, it makes 26.7 payments and has an average Total Tax Rate of 43.1%.

Over the nine years of the study, the compliance sub-indicators have improved most for labour taxes.

On average across the 9 years of the study the cost of tax, the Total Tax Rate (the taxes borne), has fallen by 9 percent; the time to comply has fallen by 55 hours (almost 7 days); and the number of payments has fallen by 7.

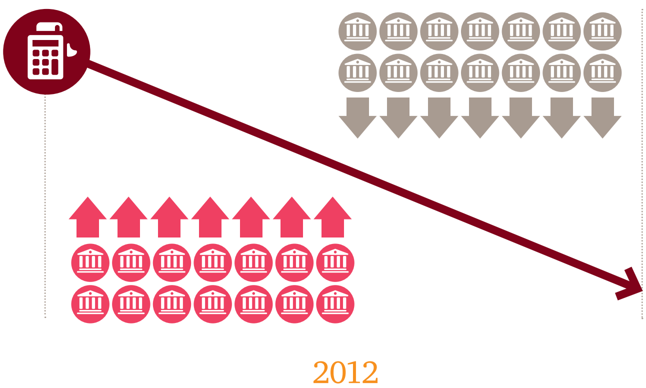


The compliance burden (the time to comply and the number of payments) has continued to fall in 2012, but the rate of decline has slowed.

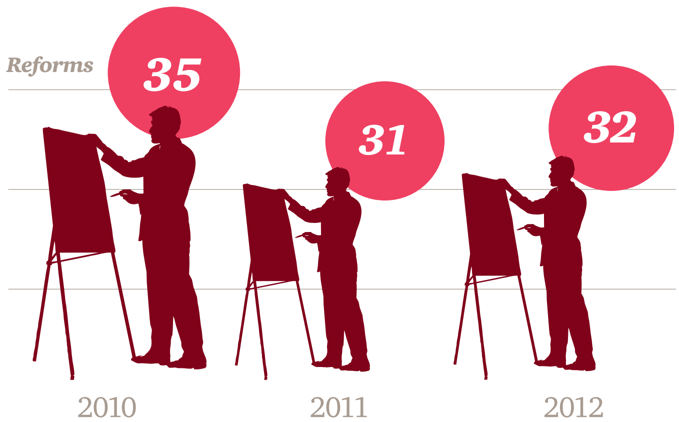


Over the nine years of the study the Total Tax Rate attributable to profit taxes has fallen faster than that for labour taxes so that labour taxes are now the largest element of the Total Tax Rate.

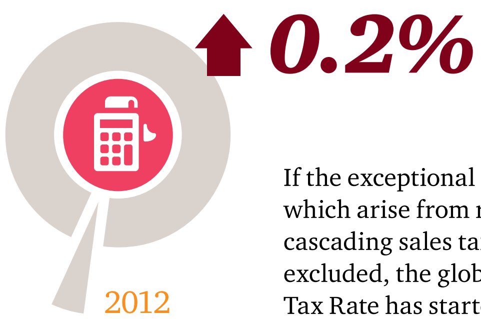
On average, consumption taxes have always taken the longest time to comply.



While the global average Total Tax Rate has continued to fall in 2012, 14 economies have significantly[1] increased their rate while 14 have reduced it.



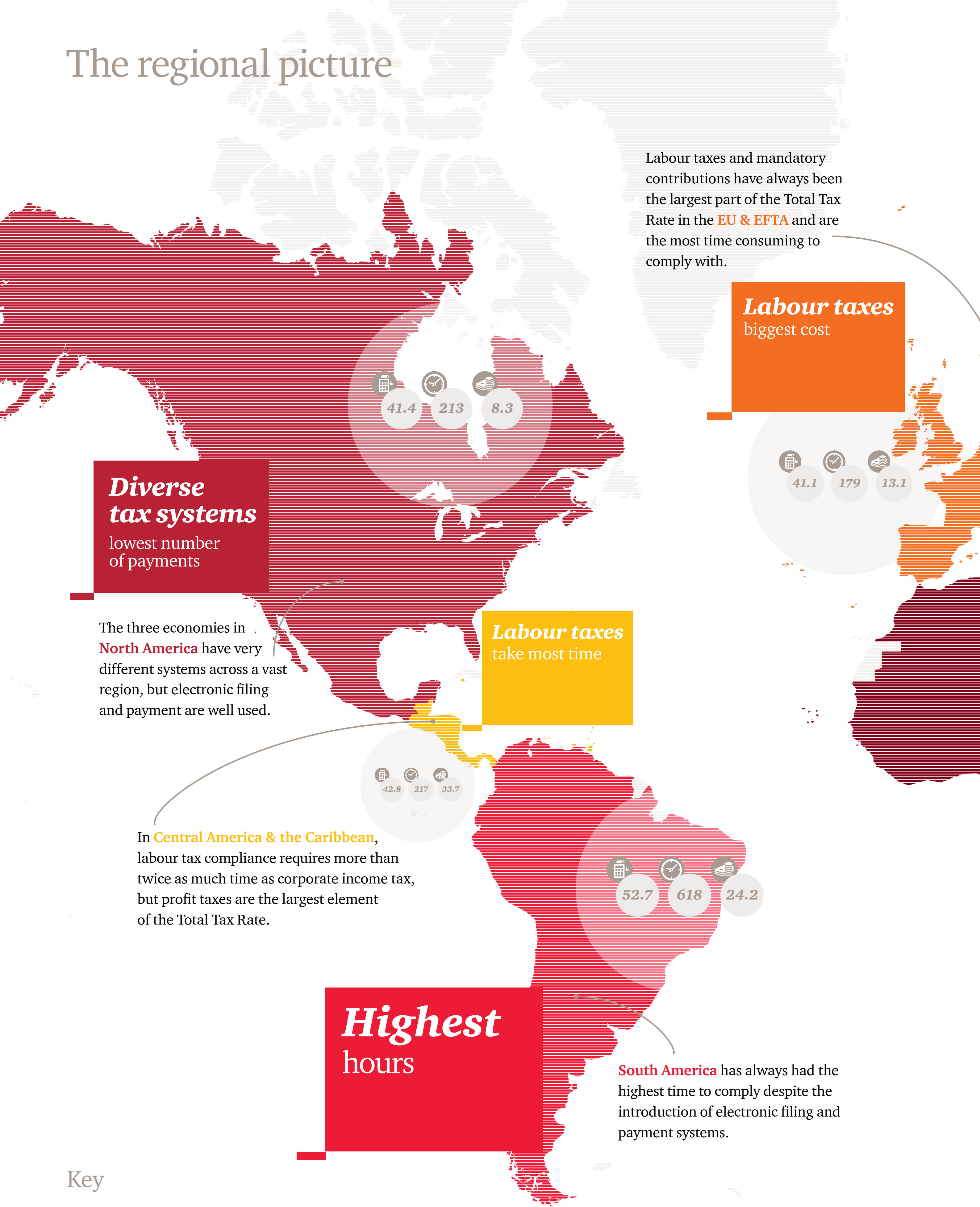
Reforms continue around the world. 32 economies have made it easier to pay taxes between June 2012 and June 2013. In the last three years the majority of the reforms have been focussed on introducing or improving electronic systems.



If the exceptional rate reductions which arise from replacing cascading sales tax with VAT are excluded, the global average Total Tax Rate has started to rise in 2012.

[1] We regard a significant movement in a sub-indicator as being a movement of 5% or more of the global average for that sub-indicator.

The regional picture



Labour taxes and mandatory contributions have always been the largest part of the Total Tax Rate in the EU & EFTA and are the most time consuming to comply with.

Labour taxes
biggest cost

Diverse tax systems
lowest number of payments

The three economies in North America have very different systems across a vast region, but electronic filing and payment are well used.

Labour taxes
take most time

In Central America & the Caribbean, labour tax compliance requires more than twice as much time as corporate income tax, but profit taxes are the largest element of the Total Tax Rate.

Highest
hours

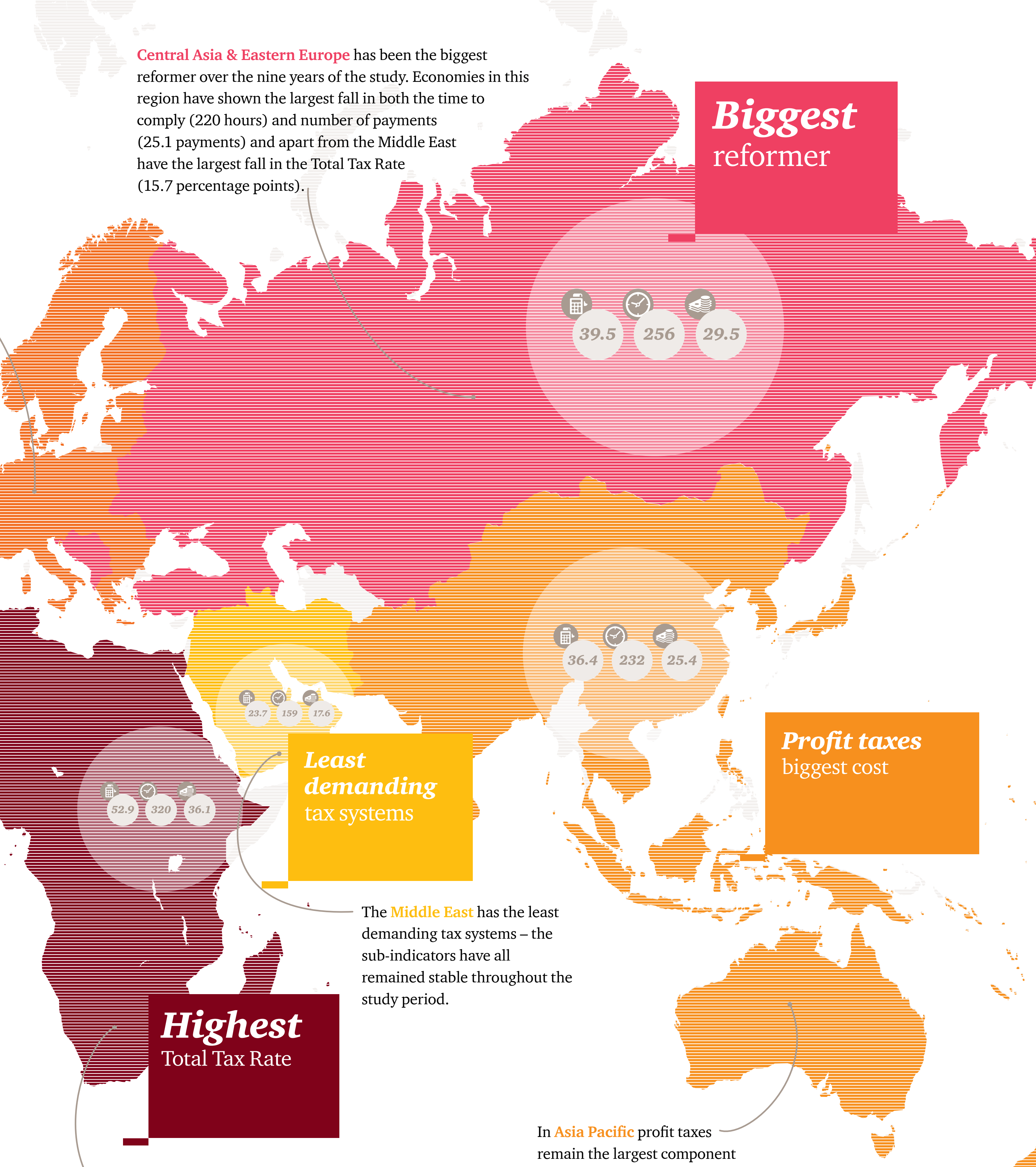
South America has always had the highest time to comply despite the introduction of electronic filing and payment systems.

Key

Total Tax Rate (%)

Time to comply (hours)

Number of payments



Central Asia & Eastern Europe has been the biggest reformer over the nine years of the study. Economies in this region have shown the largest fall in both the time to comply (220 hours) and number of payments (25.1 payments) and apart from the Middle East have the largest fall in the Total Tax Rate (15.7 percentage points).

The Middle East has the least demanding tax systems – the sub-indicators have all remained stable throughout the study period.

Africa has always had the highest Total Tax Rate and a lack of electronic filing and payment hinders compliance.

In Asia Pacific profit taxes remain the largest component of the Total Tax Rate. The cost of labour taxes has increased however, but they still take the least amount of time in this region.

What does this publication cover?

With many governments still under severe pressure to fund their spending programmes and the need to generate higher tax revenues either to help with reducing public sector deficits, or to replace the aid funding that has been cut in the wake of the financial crisis, interest in the taxation of business is high.

Interest in the taxation of business is high

Over the last year this interest has intensified with a wide range of external stakeholders including governments, media, civil society and the public at large being concerned about where tax revenue is coming from and looking to ensure that business is making its contribution to the societies in which it operates.

Governments also recognise that tax systems contribute to the competitiveness of their economy and their ability to attract inward investment.

And for CEOs, in PwC's 16th Annual CEO Survey[2] the increasing tax burden was named as the top business threat by 62% of those that participated in the survey, up from 55% in the previous year.

Paying tax therefore continues to be important. The *Paying Taxes* study, which is part of the World Bank Group *Doing Business* project, provides data on 189 tax systems around the world with an ability to monitor tax reform. It also allows these tax systems to be compared and contrasted, helping to stimulate debate and discussion between business and government around how tax systems operate, and their economic impact. The database now covers a nine year period.

The *Paying Taxes* study continues to be one of a kind. It looks at tax systems from the business perspective and considers all of the taxes and contributions that a case study company (a small to medium sized domestic company) pays and generates. As well as the corporate income tax the company pays on profits, it looks at employment taxes, mandatory contributions, indirect taxes, property taxes and a whole variety of smaller taxes including environmental taxes.

The *Paying Taxes* study shows that corporate income tax is levied on business in 181 economies, value added tax (VAT) is collected by business in 166 economies, and a range of labour taxes and mandatory contributions is borne and collected by our case study company in all but one of the 189 economies.

Taxes borne and collected by business are clearly an important source of revenue for governments. The impact that these taxes and the tax systems used to generate them have on business is important both in terms of their direct cost, and in terms of the compliance costs that they impose on business as an unpaid tax collector for government.

The objectives of the study are to:

- provide data which can be compared between economies on a like for like basis;
- facilitate the benchmarking of tax systems within relevant economic and geographical groupings, which can provide an opportunity to learn from peer group economies;
- enable an in-depth analysis of the results which can be used to help identify good practices and possible reforms, and
- to generate robust data on tax systems around the world, including how they have changed, which can be used to inform the development of good tax policy.

Paying Taxes 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 study 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.

[2] http://www.pwc.com/taxceosurvey

The case study company is not intended to be a representative company, but has been constructed to facilitate a comparison of the world's tax systems on a like for like basis.

Paying Taxes covers both the cost of the taxes which are borne by the case study company, and also the administrative burden of the taxes that the company both bears and those that it collects on behalf of government (but which do not have an impact on the company's results). Both the tax cost and the tax compliance burden are important from the business point of view and these are measured using three sub-indicators:

- the Total Tax Rate, (the cost of all taxes borne);
- the time needed to comply with the major taxes (profit taxes, labour taxes and mandatory contributions, and consumption taxes); and
- the number of tax payments.

The Total Tax Rate measures the amount of taxes and mandatory contributions borne by the standard company (as a percentage of the 'commercial profit' or the profit before all of those taxes).[3]

The time sub-indicator captures the number of hours it takes to prepare, file and pay the three major types of taxes: profit taxes, consumption taxes, and labour taxes and mandatory contributions.

The number of payments measures the frequency with which the company has to file and pay different types of taxes and contributions, adjusted for the manner in which those filings and payments are made.[4]

Both the tax cost and the tax compliance burden are important from the business point of view and these are measured using three sub-indicators:

Total Tax Rate	***Time to comply***	***Number of payments***

[3] Commercial profit is essentially net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a company are deductible. Commercial profit is 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.

[4] Where full electronic filing and payment is allowed and is used by the majority of medium-size businesses in the economy, the number of payments is counted as one even if filings and payments are more frequent.

The case study company is not intended to be a representative company, but has been constructed to facilitate a comparison of the world's tax systems on a like for like basis.

These sub-indicators do not take into account the fiscal health of economies, the macroeconomic conditions under which governments collect revenue, or the public services supported by taxation. The ranking for the ease of paying taxes is a simple average of the percentile rankings of each of the sub-indicators, but with a threshold applied to the Total Tax Rate.

The results for each sub-indicator, split by type of tax, are included in Appendix 3 of this publication along with the World Bank's overall ease of paying taxes ranking. Further details are also available on the World Bank's *Doing Business* project (*Doing Business*) and the PwC websites.[5] The full methodology for the case study company and the sub-indicators and some examples of how the sub-indicators are calculated are included in Appendix 1 to this publication and the World Bank *Doing Business* website.

Chapter 1 of this publication sets out this year's perspective from the World Bank.

It looks at which economies have reformed their tax systems in 2012/2013 and focusses on developments over the last five years, including a 'distance to the frontier' measure which shows how far an economy is from the best performance achieved by any economy included in the study.

Chapter 2 provides a further analysis by PwC.

This year the analysis begins by looking at the global results for the calendar year ending 31 December 2012.

The chapter goes on to take a detailed look at the global trends over nine years for each of the sub-indicators. We compare the movements of each sub-indicator by geographical region. We also break out the trend for each sub-indicator into its component parts. For the Total Tax Rate and the number of payments we look at the movement in profit taxes, labour taxes (and mandatory contributions) and 'other' taxes. For the time to comply we look at the individual trends for profit taxes, labour taxes (and mandatory contributions), and consumption taxes.

We then take a look at the results by geographical region. The analysis begins by comparing the regions and then looks at each region in detail.

For each region we focus on the nine year trends for the region for the three sub-indicators, and then we take each sub-indicator in turn looking at the individual components over this period. The final element of the analysis focusses on the movements for each sub-indicator in the most recent year, and the economies and reforms in those economies that are driving those movements.

A selection of commentaries from a number of PwC offices around the world is again included in each of the regional sections. These look at the results of *Paying Taxes* for their particular economy in more detail and they also refer to some of the reforms that have been, and are being, implemented.

[5] www.pwc.com/payingtaxes

Chapter 1: Findings of the World Bank and IFC's Doing Business 2014 report

Russian cosmonaut Pavel Vinogradov, an International Space Station crew member, has become the first person ever to pay taxes from space. Pavel paid his land tax using the Russian Federation's Sberbank online banking system.[6] Revenue authorities around the world are continuously making great efforts to streamline administrative processes and modernise payment systems. Today firms can file tax returns electronically in 76 of the 189 economies covered by *Doing Business* – from the taxpayer's home, library, workplace or, as Russia shows, even from space.

[6] Svetlana Kalmykova, "Taxmen Reach Agreement on Cooperation," *The Voice of Russia*, May 16, 2013. http://voiceofrussia.com/2013_05_16/Taxmen-reach-agreement-on-cooperation.

Between June 2012 and June 2013 *Doing Business* recorded 32 reforms making it easier or less costly for companies to pay taxes – and since 2009 has recorded 189.

Guatemala made the biggest improvement in the ease of paying taxes in the past year.

Belarus has advanced the most toward the frontier in regulatory practice in paying taxes since 2008.

The most common feature of tax reforms in the past five years was to reduce profit tax rates, often in the context of parallel efforts to improve tax compliance. But in the past three years more economies focused on introducing or improving electronic systems.

Among the regions, Europe and Central Asia made the biggest improvement in the ease of paying taxes over the past five years.

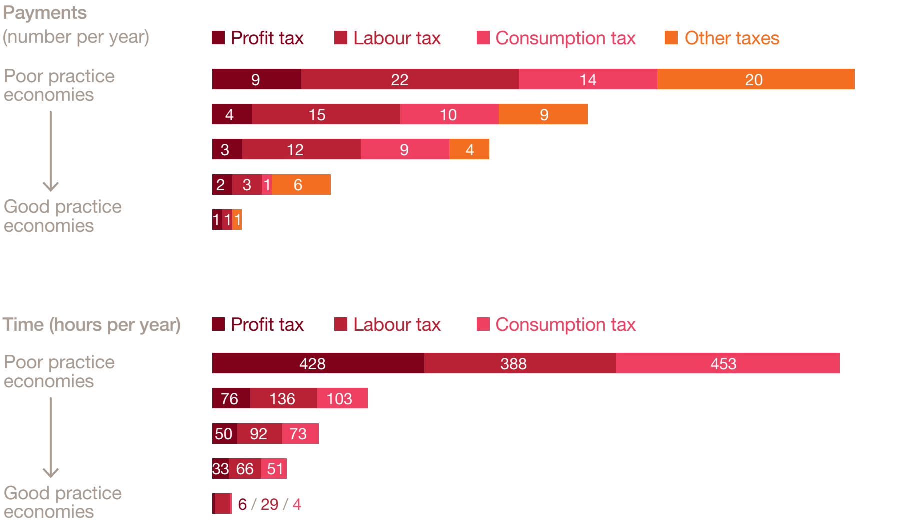
For more information on good practices and research related to Paying Taxes, visit http://www.doingbusiness.org/data/exploretopics/paying-taxes. For more on the methodology, see Appendix 1.

According to World Bank Enterprise Surveys in 121 economies, in the majority of these economies businesses consider tax rates to be among the top five constraints to their business, and tax administration to be among the top 11.[7] Research has shown that high corporate tax rates are negatively associated with levels of corporate investment and entrepreneurship. Moreover, economies with high tax rates have larger informal sectors.[8] And corporate tax rates might be negatively correlated with economic growth.[9] Another study showed that a one percentage point increase in the Total Tax Rate can be associated with a three percentage point increase in evasion.[10] Yet taxes are essential to raise revenues so that governments can fund social programs and public investments that promote economic growth and development.

Striking the right balance is therefore a great challenge for governments when designing tax policies. Whom to tax, by how much and how? One way to encourage compliance and have an effective tax system is to keep rules as clear and simple as possible. Thus it is important to measure both the level of tax rates and the administrative burden of compliance (Figure 1.1). Overly complicated tax systems encourage evasion and are associated with larger informal sectors, more corruption and less investment.[11]

Figure 1.1

Labour taxes and mandatory contributions account for a large share of the tax payments in many economies



Note: Poor practice economies are the 5 lowest-ranked economies on the ease of paying taxes. The second bar represents the 5 economies ranked from 140 to 144 on the ease of paying taxes. The third bar represents the 5 economies ranked from 93 to 97. The fourth bar represents the 5 economies ranked from 45 to 49. Good practice economies are the 5 top-ranked economies. *Profit tax* refers to taxes levied on taxable income or capital gains. *Labour tax* refers to all labour taxes and mandatory contributions levied on gross salaries, net salaries or number of employees. *Consumption tax* refers to value added tax (VAT) and sales tax for which the statutory incidence does not fall on the firm. *Other taxes* refers to all other taxes except labour, profit and consumption taxes, such as property taxes, vehicle taxes, interest taxes and municipal fees. *Doing Business* measures only the time to comply with 3 major taxes: profit tax, labour tax and consumption tax.
Source: *Doing Business* database.

[7] http://www.enterprisesurveys.org/.
[8] Djankov and others 2010.
[9] Lee and Gordon 2005.
[10] Fisman and Wei 2004.
[11] Djankov and others 2010.

Table 1: Who made paying taxes easier and lowered the tax burden in 2012/13 – and what did they do?

Feature	Economies	Some highlights
Introduced or enhanced electronic systems	Croatia; Guatemala; FYR Macedonia; Madagascar; Maldives; Moldova; Morocco; Paraguay; Philippines; Rwanda; Sri Lanka	Rwanda introduced e-filing for corporate income tax, value added tax and labour contributions. The system was fully rolled out in 2012.
Reduced profit tax rate by 2 percentage points or more	Burundi; Gabon; Guyana; Jamaica; Lao PDR; Myanmar; Sweden; Tajikistan	The government of Sweden, in its 2013 budget statement, reduced the corporate income tax rate from 26.3% to 22% for 2013.
Merged or eliminated taxes other than profit tax	Armenia; Burkina Faso; Republic of Congo; Iceland; South Africa; Tajikistan; Uzbekistan	Tajikistan merged the minimal income tax with the corporate income tax and abolished the retail sales tax.
Decreased number of tax filings or payments	Albania; Panama; Romania	Panama changed the payment frequency for corporate income taxes from monthly to quarterly.
Reduced labour taxes and mandatory contributions	Republic of Congo; Thailand	Thailand decreased employers' social security contribution rate from 5% in 2011 to 3% for January – June 2012 and 4% for July – December 2012.
Simplified tax compliance process	Qatar; Ukraine	Qatar relaxed the disclosure requirements accompanying the corporate income tax return for entities 100% owned by Qatari or Gulf Cooperation Council nationals.
Introduced change in cascading sales tax	The Gambia	The Gambia replaced the sales tax with the value added tax, now set at 15%.

Source: *Doing Business* database.

Who reformed in paying taxes in 2012/13?

Between June 2012 and June 2013 *Doing Business* recorded 32 reforms making it easier or less costly for firms to pay taxes (Table 1). Europe and Central Asia[12] recorded the most reforms easing compliance with tax obligations (by 9 economies of 26), followed by Sub-Saharan Africa (8 of 47) and Latin America and the Caribbean (5 of 32). Eleven economies introduced or enhanced electronic filing, eliminating the need for 74 separate tax payments and reducing compliance time by almost 200 hours in total.

Guatemala improved the most on the ease of paying taxes in 2012/13. The Guatemalan tax authority in January 2012 launched its new online system, Declaraguate, for filing and paying all taxes (except labour taxes and mandatory contributions). The new system allows taxpayers to pay their taxes online without a need to sign a contract and open an account with a specific bank. In addition, Declaraguate has expanded the electronic filing and payment option to such taxes as the solidarity tax. An electronic system for generation, transmission, validation and payment of social security contributions has been available since 2009, through the online platform administered by the Guatemalan Social Security Institute, and by 2012 this payment method had been picked up by the majority of medium-size businesses. This reduced the number of payments from 21 to 7 and the time to comply with tax obligations by 6 hours as measured by *Doing Business*.

[12] The regional classifications used in this chapter are shown on the *Doing Business* website: www.doingbusiness.org

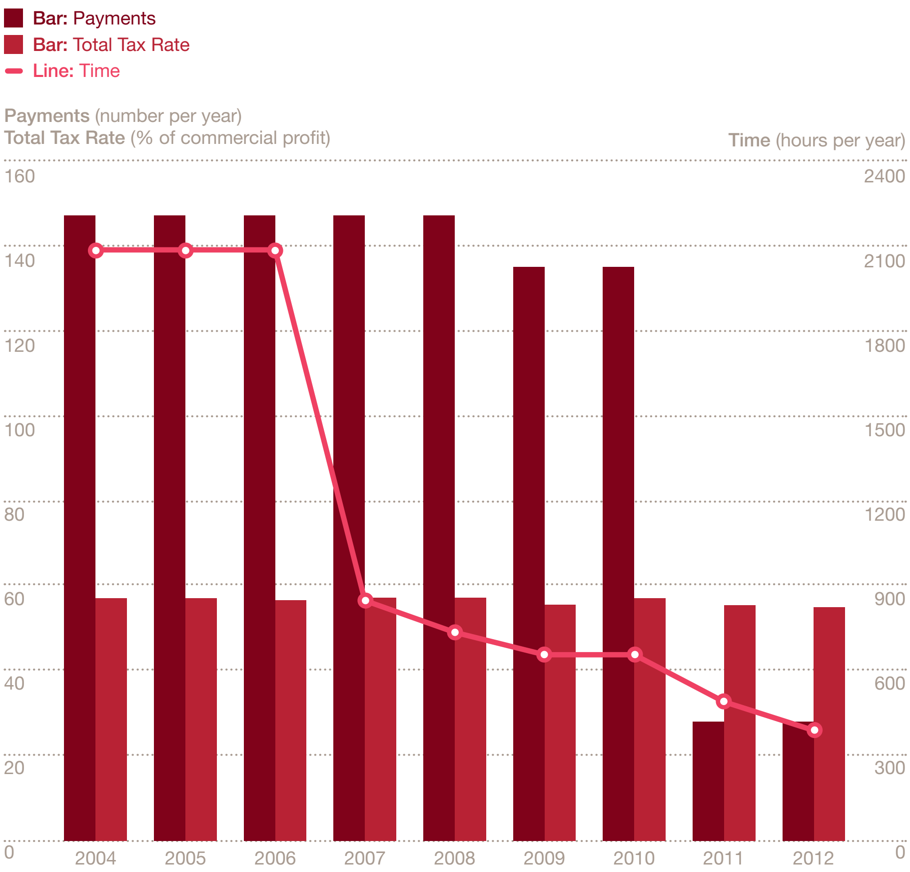
Twelve economies implemented other measures to ease compliance with tax obligations. Three economies (Albania, Panama and Romania) lowered the number of tax filings or payments. In Albania and Panama corporate income taxes are now paid quarterly rather than monthly. Seven economies merged or eliminated some types of taxes (Armenia, Burkina Faso, the Republic of Congo, Iceland, South Africa, Tajikistan and Uzbekistan). Two other economies, Qatar and Ukraine, simplified tax returns. Ukraine simplified the corporate income tax, VAT and social security contribution reports filed by companies. In 2012 these efforts reduced the time to comply with Ukrainian tax regulations by 101 hours, from 491 to 390 hours (Figure 1.2).

Eight economies reduced profit tax rates in 2012/13: one high-income economy (Sweden), two upper-middle-income ones (Gabon and Jamaica), two lower-middle-income ones (Guyana and the Lao People's Democratic Republic) and three low-income ones (Burundi, Myanmar and Tajikistan). Reductions in profit tax rates are often combined with efforts to widen the tax base by eliminating exemptions and with increases in the rates of other taxes, such as VAT.

In 2012/13 some economies increased the tax burden for small and medium-size firms. Eight increased profit or income taxes (the Arab Republic of Egypt, El Salvador, Greece, Senegal, Serbia, the Slovak Republic, South Sudan and Togo). Four increased labour taxes and mandatory contributions (the Democratic Republic of the Congo, Côte d'Ivoire, Tonga and Vietnam). And Bosnia and Herzegovina, Fiji, Mauritania, the Seychelles and Tonga introduced new taxes in the past year.

Figure 1.2

Ukraine has systematically reduced the time to comply with tax obligations



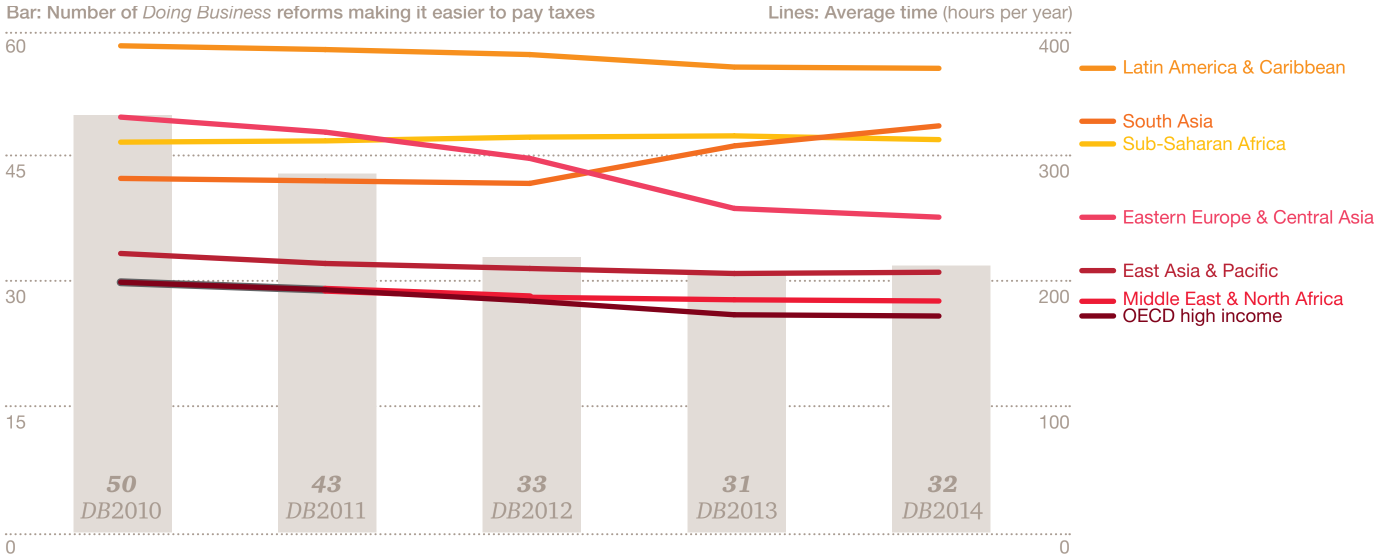
Source: *Doing Business* database.

What have we learned from five years of data?

Since 2009 *Doing Business* has recorded 189 tax reforms in 114 economies. Of these reforms, 57 introduced or enhanced online filing systems. These and other improvements to simplify tax compliance reduced the time to comply with the 3 main taxes measured (profit, labour and consumption) by 20 hours on average, and the number of payments by 4. Europe and Central Asia had the biggest improvement, reducing the number of payments by 20 on average and the time by 80 hours (Figure 1.3). Belarus has advanced the furthest toward the frontier in regulatory practice in paying taxes in Europe and Central Asia and globally since 2008 (Figure 1.4).

Figure 1.3

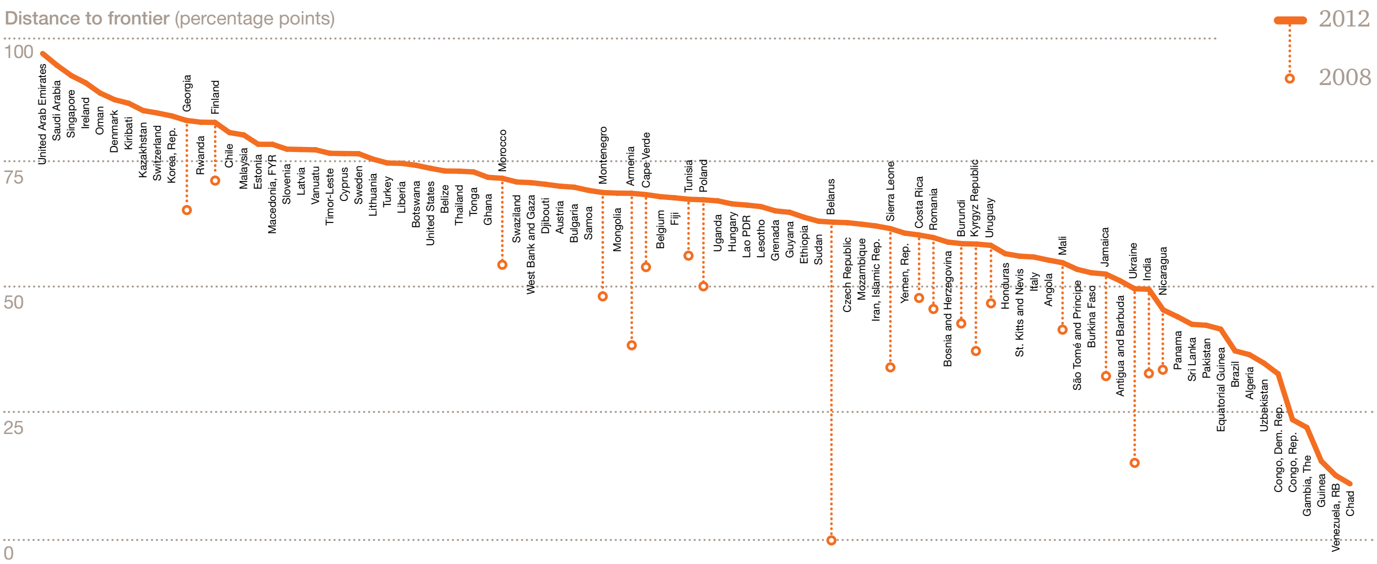
Economies in Europe and Central Asia have decreased the time to comply with tax obligations the most since 2008



Note: To ensure accurate comparisons, the figure shows data for the same 183 economies for all years, from DB2010 (2008) to DB2014 (2012). The economies added to the *Doing Business* sample after DB2010 and so excluded here are Barbados, Libya, Malta, Myanmar, San Marino and South Sudan. This figure uses regional classifications for DB2014.
Source: *Doing Business* database.

Figure 1.4

Belarus has advanced the most toward the frontier in paying taxes since 2008



Note: The distance to frontier scores shown in the figure indicate how far each economy is from the best performance achieved by any economy on the paying taxes indicators since DB2006 (2004). The scores are normalised to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in DB2010 (though for practical reasons the figure does not show all 183). Barbados, Libya, Malta, Myanmar, San Marino and South Sudan were added in subsequent years. The vertical bars show the improvement in the 20 economies advancing the most toward the frontier in paying taxes between 2008 and 2012.
Source: *Doing Business* database.

Besides easing the administrative burden of taxes, many economies also reduced tax rates, often from relatively high levels and with complementary efforts to improve tax compliance. Among regions, Sub-Saharan Africa had the largest reduction in the Total Tax Rate: 17.5 percentage points on average since 2008. Some of this reduction came from the introduction of VAT, which replaced the cascading sales tax.[13] Burundi, the Democratic Republic of the Congo, Djibouti, The Gambia, Mozambique, Sierra Leone and Swaziland all introduced VAT systems. Some Sub-Saharan economies also lowered profit tax rates over the past five years, including Benin, Cape Verde, the Republic of Congo, The Gambia, Madagascar, Mali, Niger and Sudan. Over the same period, the biggest reduction in the share of profit taxes in the Total Tax Rate occurred in East Asia and the Pacific, where it fell by 5.3 percentage points on average.

Electronic systems for filing and paying taxes, if implemented well and used by most taxpayers, benefit both tax authorities and firms. For tax authorities, e-filing lightens workloads and reduces operational costs such as for processing, handling and storing tax returns. At the same time, e-filing increases compliance with tax obligations and saves time.[14] By 2012, 76 economies had fully implemented electronic filing and payment of taxes.

Sub-Saharan economies face particularly difficult challenges with implementing electronic systems for filing and paying taxes. Rolling out new information and communication technologies, and then educating taxpayers and tax officials in their use, are not easy tasks for any government. But where citizens face limited broadband access, power shortages, slow network speeds and system failures, implementation is slow and the challenges are even greater.[15]

In 2012/13, however, electronic systems became more popular among taxpayers in Kenya, Madagascar, Rwanda and Uganda. The Kenya Revenue Authority began introducing an online filing system for VAT in 2009, and over the past three years use of the system picked up among taxpayers. Companies have reported improvements in the processing speed on the filing website, a major source of delay in previous years. This reduced the time required to comply with VAT from 340 hours to 308.

In Latin America and the Caribbean, economies including Colombia, Guatemala, Mexico, Paraguay and Uruguay have implemented electronic systems for filing and paying taxes over the past five years. In 2010 Colombia began requiring all companies with turnover equal to or above COP500 million (about $262,885) to file and pay corporate income tax and VAT through the Electronic Informatic Services provided by the National Tax Authority. In the same year, Colombia upgraded its electronic system, the MUISCA (Single Automated Model of Income, Services and Control) system, to ease e-filing and payment for corporate income tax and VAT. As a result the time to comply with these tax obligations dropped by 15 hours, and the number of payments by 11.

In East Asia and the Pacific 7 of 25 economies have established electronic systems for filing and paying taxes: China; Hong Kong SAR, China; Malaysia; the Philippines; Singapore; Taiwan, China; and Thailand. In the past five years only Malaysia and the Philippines have further rolled out their electronic systems.

Similarly, economies in the Middle East and North Africa have been slow in picking up the pace on new technology for filing and paying taxes. Only 5 of 20 economies have implemented electronic systems for submitting tax declarations and paying taxes. These include Morocco, Saudi Arabia and the United Arab Emirates, which reformed in this area in the past five years.

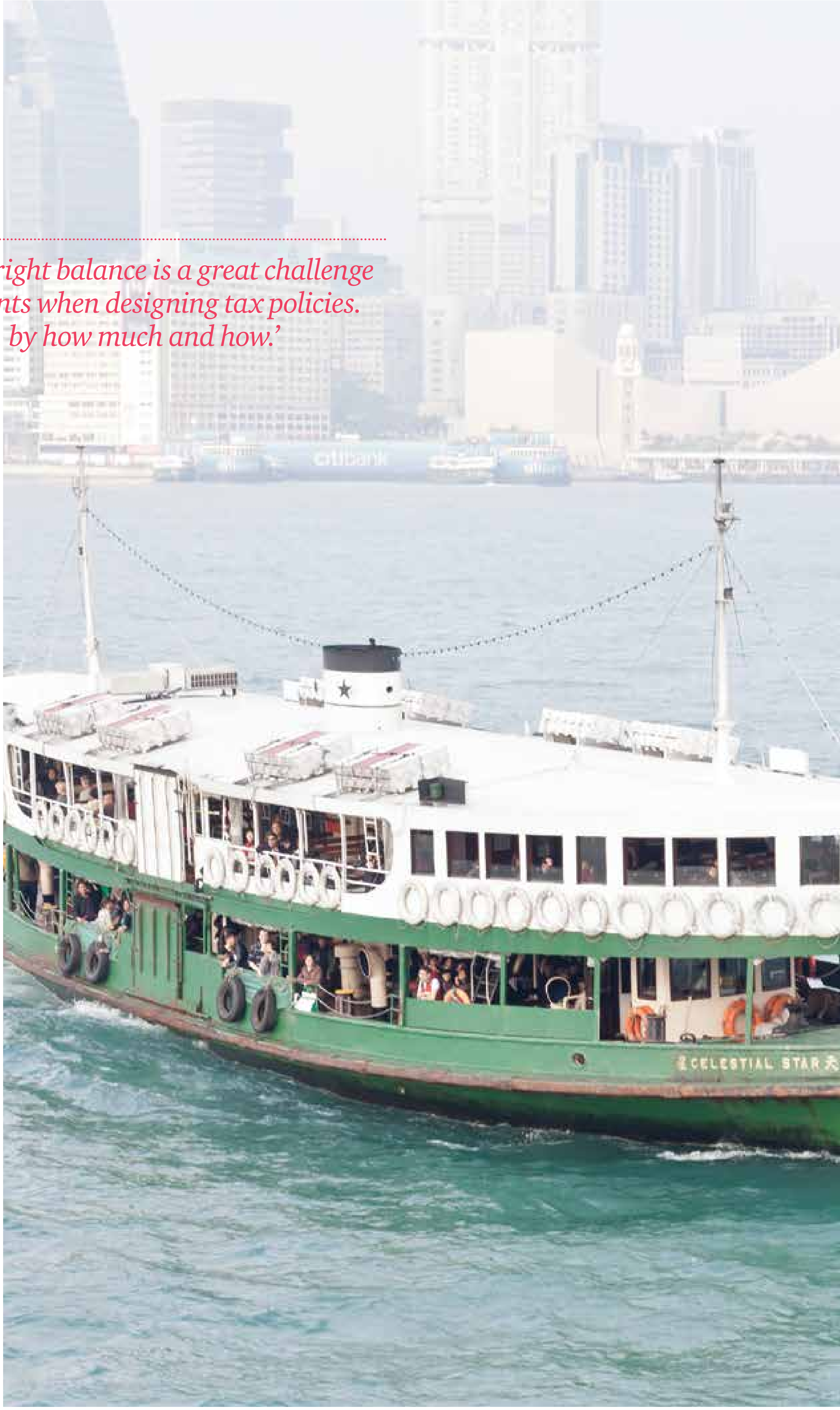
In South Asia, India is the only economy (of eight) with a complete online system for filing and paying taxes. But in the past year Maldives and Sri Lanka have introduced online platforms for filing and paying labour contributions, easing the administrative burden for businesses of complying with labour regulations. Still, as of 2012 most companies were not taking advantage of the electronic payment options. Pakistan also has an established electronic system for filing and paying corporate income tax and VAT, but uptake has been limited.

[13] VAT is collected by firms and its cost is fully passed on to consumers. Because firms have to make the payments and spend time filling out returns, VAT is included in the indicators on payments and time. But the amount of VAT paid is not included in the Total Tax Rate. A cascading sales tax, which is paid at every point of the supply chain, is included in the Total Tax Rate because firms cannot deduct the sales tax they pay on supplies from the amount they owe on sales. Economies introducing VAT to replace the sales tax have therefore seen a reduction in their Total Tax Rate.

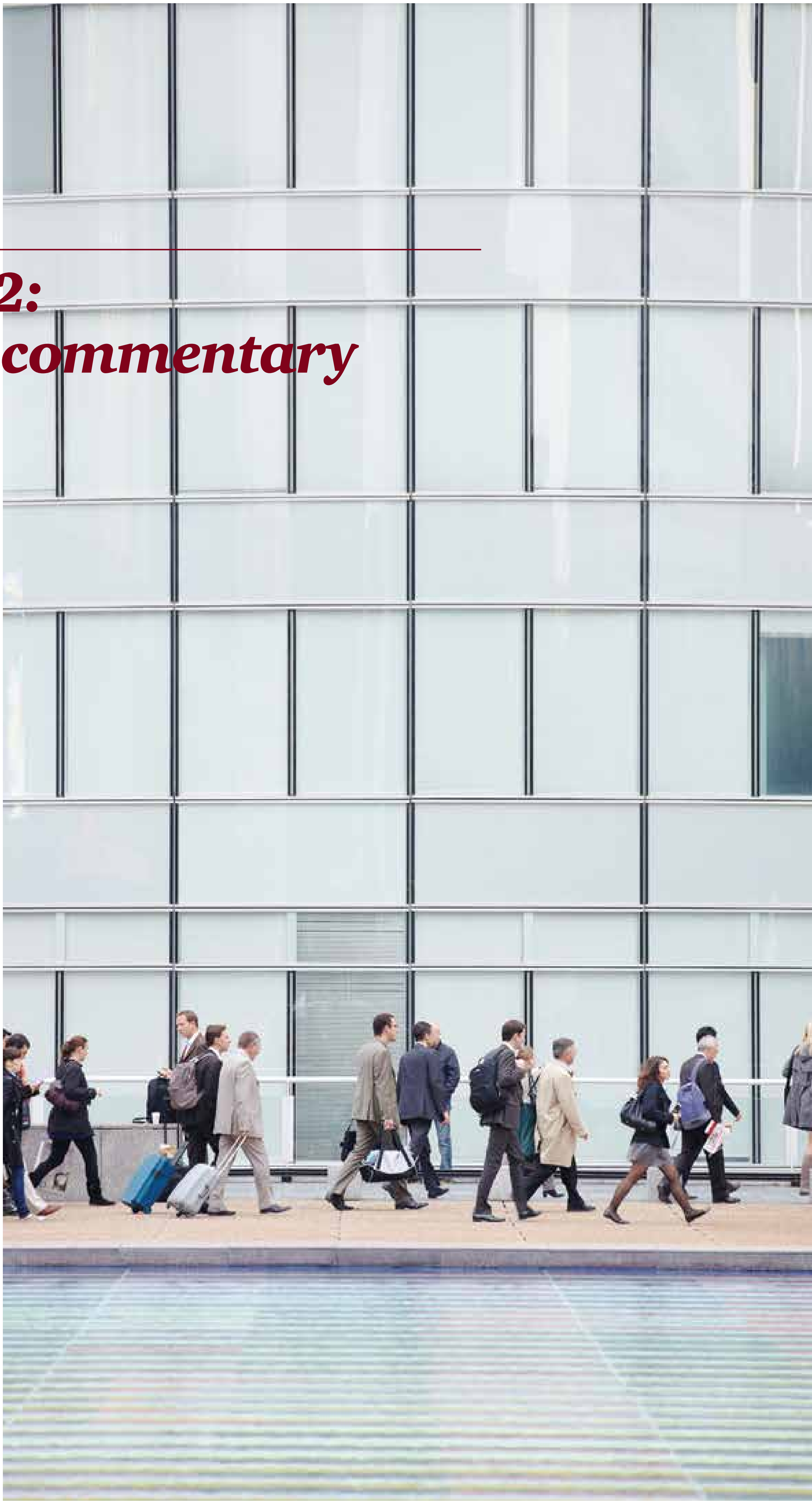
[14] Edwards-Dowe 2008.

[15] For more information, see the case study on Malaysia in the *Doing Business 2014* report.

'Striking the right balance is a great challenge for governments when designing tax policies. Whom to tax, by how much and how.'



Chapter 2: The PwC commentary



During the course of 2013 there has been an increasing focus on the perception that the world's tax systems are no longer fit for purpose and a feeling that they need to evolve to deal with a changing global economy.

Our current tax regimes were developed in economies largely concerned with the exchange of physical products made and sold in physical locations. Trends in the international tax environment such as the globalisation of business, increasing competition among countries for tax revenues, and a growing proportion of company assets that are made up of intangibles such as brand names, software and know how, have transformed the tax landscape. In addition we see business increasingly conducted online and across borders. Largely as a result of these factors, the international tax environment has become very complex, and many of its processes and rules are now arguably outdated.

The world's tax systems need to be reformed. In reforming tax systems and designing tax policies around the world, there is a need to ensure that the differing perspectives and priorities of the various stakeholders are understood – from business to its investors and its customers, and from media to civil society and government. Updating global tax systems however is not simple, but doing nothing is not an option and there is a danger that unless we have agreed global tax reform, individual countries will take unilateral action which could lead to double taxation. This in turn would be a disincentive to investment and a drag on the growth that the world needs today.

Tax systems around the world need to be updated to meet modern needs. The information provided by the *Paying Taxes* study can help inform the discussion around tax reform which includes the questions around who needs to be taxed, how they will be taxed, and by how much.

The global results for the Paying Taxes study 2014

On average around the world our case study company makes 26.7 payments, takes 268 hours (nearly seven weeks based on a 40 hour week) and has a tax cost of 43.1% of its commercial profit

The 2012 global tax profile

Table 2 shows the global average results for each of the *Paying Taxes* sub-indicators. It also shows the range across the 189 economies in the study.

On average around the world our case study company makes 26.7 payments, takes 268 hours (nearly seven weeks based on a 40 hour week) and has a tax cost of 43.1% of its commercial profit.

The range for each sub-indicator is very wide. The number of payments ranges from 3 in Hong Kong SAR, China and Saudi Arabia to 71 in República Bolivariana de Venezuela.

The time to comply is lowest in the United Arab Emirates where it takes 12 hours to deal with the taxes that apply, all of which are labour taxes. The highest number of hours is still taken by our company in Brazil. It takes 2,600 hours, or more than a year for a full time person, with more than half of this time being spent on consumption taxes.

The lowest Total Tax Rate is found in the Former Yugoslav Republic of Macedonia with most of its 8.2% generated by profit taxes. The highest is in The Gambia closely followed by Comoros, these being the last two remaining economies where a cascading sales tax still exists. The cascading sales tax accounts for 221.0 and 176.8 percentage points of the Total Tax Rate in each of these economies respectively.

Table 2: The global average result for each sub-indicator

Tax type	Total Tax Rate (%)	Time to comply (hours)	Number of payments
Profit taxes	16.1	71	3.3
Labour taxes & contributions	16.3	96	10.4
Other / Consumption taxes	10.7	101	13.0
Total	**43.1**	**268**	**26.7**
Lowest	8.2	12	3.0
Highest	283.2	2,600	71.0

Source: PwC *Paying Taxes* 2014 analysis

Figure 3.1 shows how the global average for each of the sub-indicators is accounted for between the three types of tax.

While consumption taxes account for the largest amount of time, and also the majority of tax payments, labour taxes and contributions now account for the largest element of the tax cost. It accounts for 38% of the Total Tax Rate.

The nine year global trends for Paying Taxes

In this section the averages are calculated only for those economies that have been included in all nine years of the study (174 economies)[16] to ensure that we represent a true trend. The values shown here for calendar year 2012 are therefore different to the averages shown earlier which are calculated using the data provided by all 189 economies now in the study.

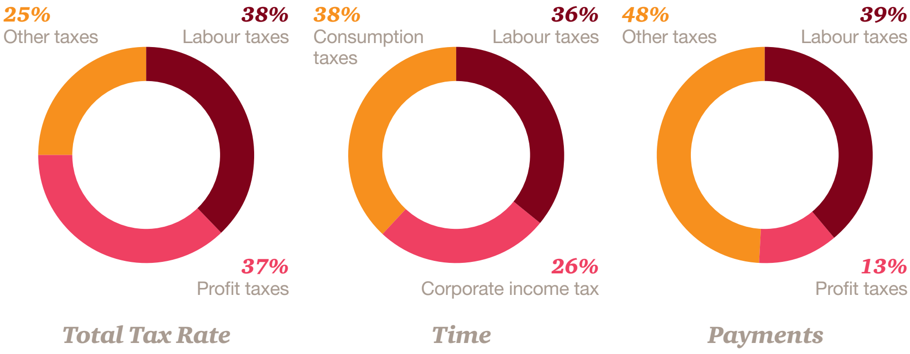
The trends over the nine year period are shown in Table 3. They show a 9.1 percentage point fall in the Total Tax Rate, a fall in the number of hours by 55 and a fall in the number of payments by 7.

Each of the three sub-indicators has fallen every year, but as was detected for the first time last year, the rates of decline are slowing.

What follows is an analysis of each sub-indicator breaking out the global averages by region, and also this year between the types of tax captured by the study, being profit taxes, labour taxes and mandatory contributions, and 'other' taxes (or in the case of the time to comply, consumption taxes).

Figure 3.1

The global allocation of the *Paying Taxes* sub-indicators across profit taxes, labour taxes and 'other'/consumption taxes



Source: PwC *Paying Taxes* 2014 analysis

Table 3: The fall in the global average results between 2004 and 2012

	Total Tax Rate (%)			Time to comply (hours)			Number of payments		
	2012	2004	Change	2012	2004	Change	2012	2004	Change
Profit taxes	16.5	19.2	(2.7)	71	84	(13)	3.4	4.2	(0.8)
Labour taxes & contributions	16.7	17.2	(0.5)	98	121	(23)	10.3	13.8	(3.5)
Other / Consumption taxes	11.1	17.0	(5.9)	106	125	(19)	13.3	16.0	(2.7)
Total	44.3	53.4	(9.1)	275	330	(55)	27.0	34.0	(7.0)

Source: PwC *Paying Taxes* 2014 analysis

[16] The economies excluded from the trend data are: The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Libya, Luxembourg, Malta, Montenegro, Myanmar, Qatar, San Marino and South Sudan

The trends in the Total Tax Rate

In last year's publication the analysis showed the average Total Tax Rate falling by around 1 percentage point per year, but that the rate of decline slowed in 2011 compared to previous years, when it fell by only 0.3 percentage points. In 2012 the Total Tax Rate has continued to fall by a further 1.1 percentage points. Figure 3.2 shows how the average global Total Tax Rate has fallen over the nine years of the study and how this breaks down by geographical region.

Until 2008 it had been the case that seven of our eight geographical regions had consistently recorded a fall in their average Total Tax Rate. This changed in 2009 when only five regions recorded a fall. This fell to three in 2011 and in the latest study only Africa and South America show a fall in the Total Tax Rate while all other regions show an increase apart from Asia Pacific and EU & EFTA where rates of 36.6% and 42.5% respectively have been maintained.

By far the largest movement in the Total Tax Rate between 2011 and 2012 was shown in Africa (a fall of 4 percentage points). This was largely driven by the reform in the Democratic Republic of the Congo where the cascading sales tax was replaced by a VAT system reducing its Total Tax Rate from 339.1% to 118.1%. Without this one reform the African Total Tax Rate would have increased by 0.4 percentage points and the global average Total Tax Rate would also have increased by 0.2 percentage points.

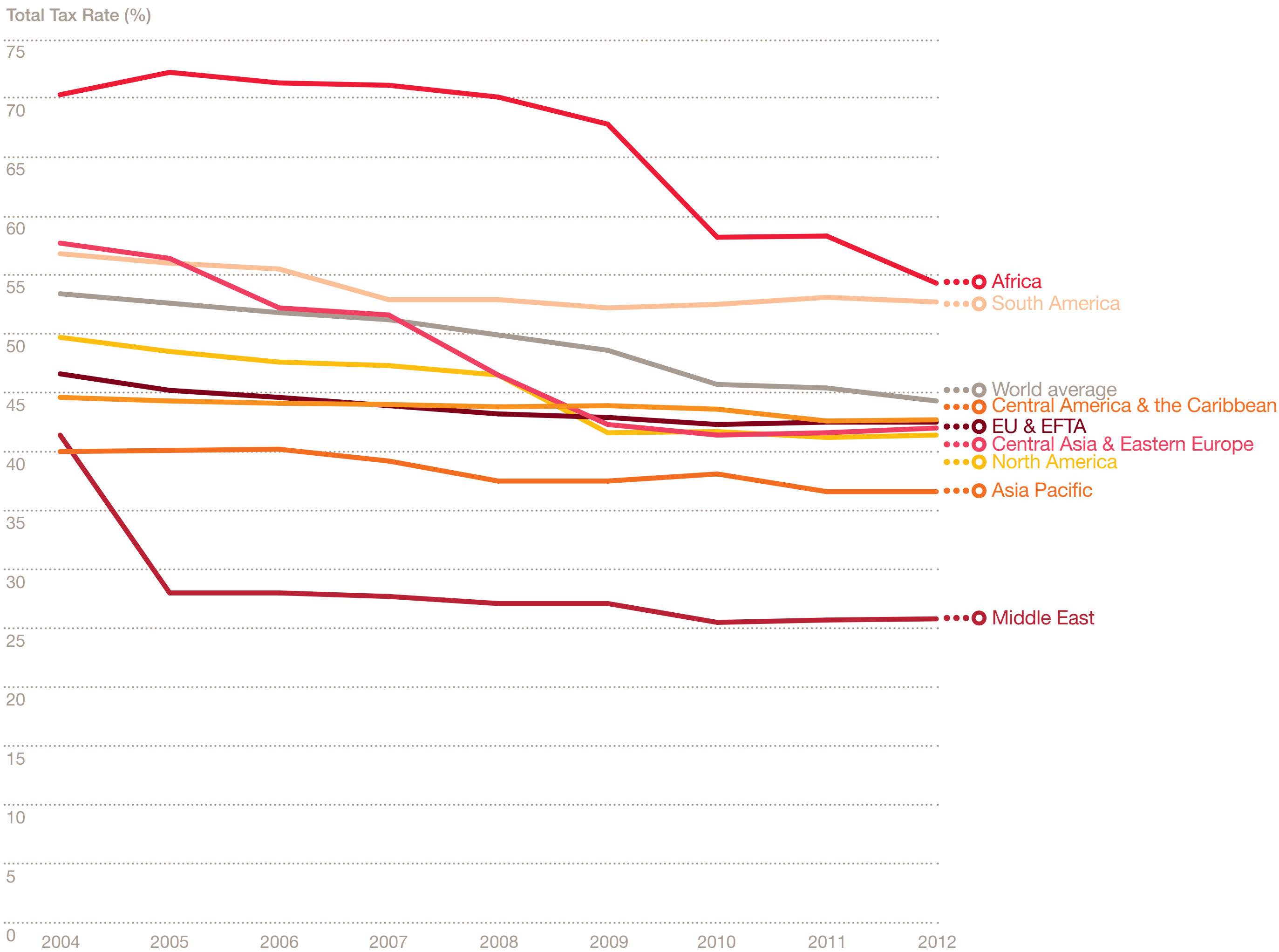
In the most recent period (2012) the picture has also become far more mixed than has been seen in previous years. While 38 economies have implemented measures that have reduced their Total Tax Rate, 38 have an increased Total Tax Rate. The regional sections which follow provide further details on the more significant movements.

Comment:

An interpretation of these trends is that the global financial downturn has had a significant impact on tax systems around the world. The policies which governments are choosing to implement to address the issues have become much more diverse. Some economies are choosing to continue to reduce their rates to contribute to an economic environment which attracts investment and encourages growth, while others have started to reverse this trend to address the need for additional revenue streams to help fund public sector projects or to reduce public sector deficits.

Figure 3.2

The global and regional trend in the Total Tax Rate from 2004 to 2012



Source: PwC Paying Taxes 2014 analysis

In Figure 3.3 we have analysed the global trend in the average Total Tax Rate between profit taxes, labour taxes and 'other' taxes. The global average for each type of tax (all of which are taxes borne by our case study company) has fallen over the period of the study. Over the past nine years 'other' taxes have recorded the largest fall (5.9 percentage points), followed by corporate income taxes (2.7 percentage points) and labour taxes with the smallest fall (0.5 of a percentage point). There are distinct regional variations and different drivers to be aware of and these are looked at in the regional sections which follow. At the global level there are a number of points to note.

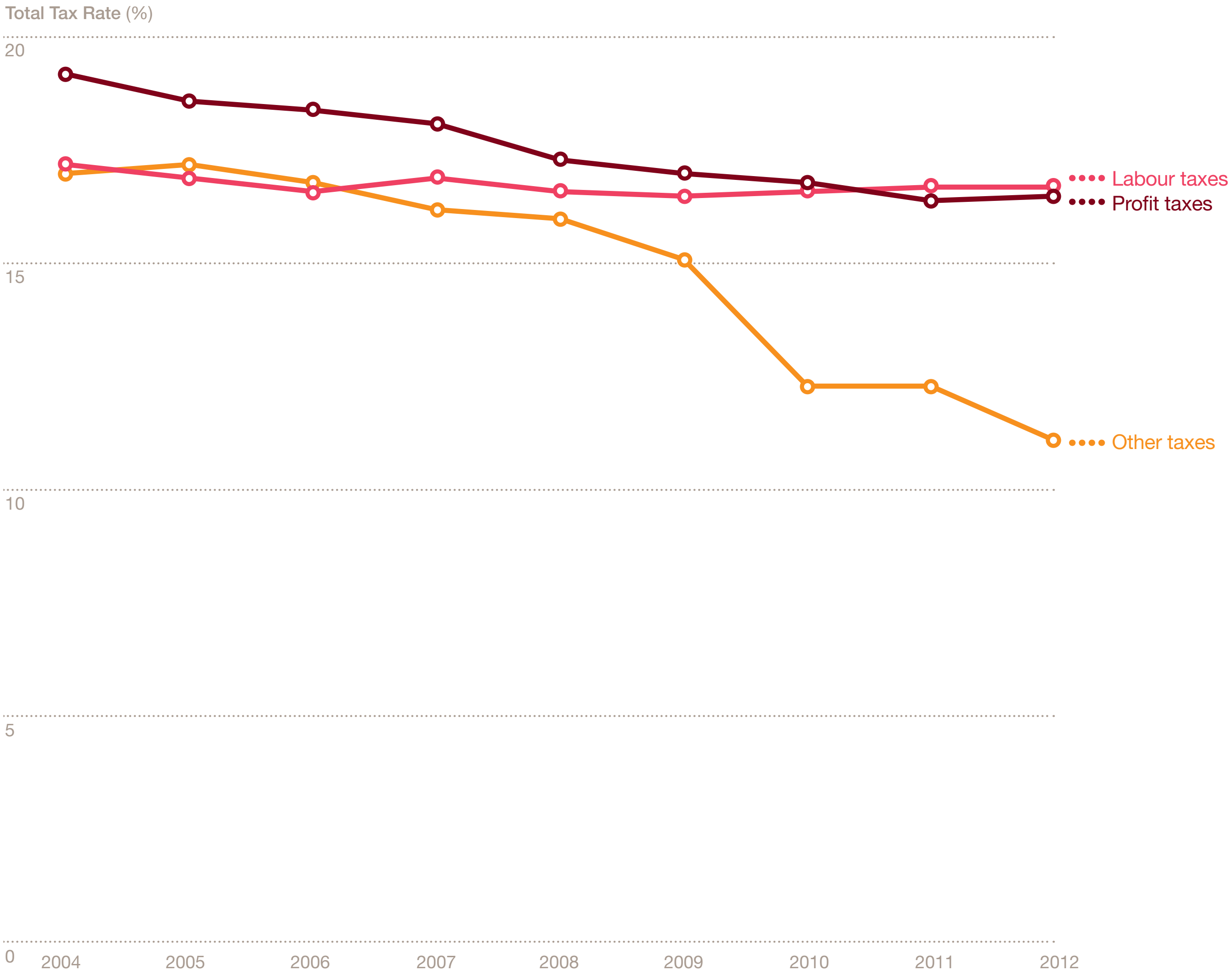
On average the largest component of the global Total Tax Rate is now labour taxes and mandatory contributions. For the 174 economies that have been in the study since its inception, this has been the case since 2011. Labour taxes and mandatory contributions account for almost 38% of the Total Tax Rate in 2012 compared with 32% in 2004 and profit taxes are now just over 37% of the total. Labour taxes and mandatory contributions have always been the largest element of the Total Tax Rate in the EU & EFTA, in Central Asia & Eastern Europe and in the Middle East. Since 2004, the labour tax component has fallen in the first two of these regions which largely accounts for the overall global fall for this type of tax. In the Middle East labour taxes have increased and this is also the case for Asia Pacific, Central America & the Caribbean and North America.

The level of labour taxes has not changed materially over this period in Africa and South America. Further regional details are provided in the sections which follow.

Profit taxes fell consistently between 2004 and 2011, but increased slightly in the most recent period. The trend in all of the geographical regions is broadly consistent with this pattern. Regional differences are highlighted in the sections which follow. Profit taxes have always been the largest element of the Total Tax Rate in North America and Central America & the Caribbean.

Figure 3.3

The global trends in the individual types of tax in the Total Tax Rate from 2004 to 2012



Source: PwC *Paying Taxes* 2014 analysis

'Other' taxes have been the smallest element of the global average Total Tax Rate since 2007 and now represent only 25% of the total having fallen from almost 32% (or by almost 7 percentage points). The main driver for this has been the replacement of the cascading sales taxes by VAT in a number of African economies and Yemen. 'Other' taxes have consistently been the largest component of the Total Tax Rate in South America and Africa.

On average the largest component of the global Total Tax Rate is now labour taxes and mandatory contributions.

Comment:
Studies conducted by the OECD[17] over recent years have indicated that corporate income tax is the least growth friendly type of tax followed by labour taxes. The trends shown in this publication suggest that until recently governments have accepted this analysis, as corporate income tax rates have fallen markedly. The trends also indicate that in general labour taxes and mandatory contributions (which are not as distortive) have not seen a similar decline. When assessing investment options and opportunities to grow a business including increasing the labour force, labour taxes and mandatory contributions will be a factor in the decision making. A consistent message in our *Paying Taxes* publications has been that in considering appropriate tax reform, all of the taxes that a business bears need to be taken into account.

[17] OECD (2010), Tax Policy Reform and Economic Growth, OECD Tax Policy Studies, No. 20, OECD

The trends in the time to comply

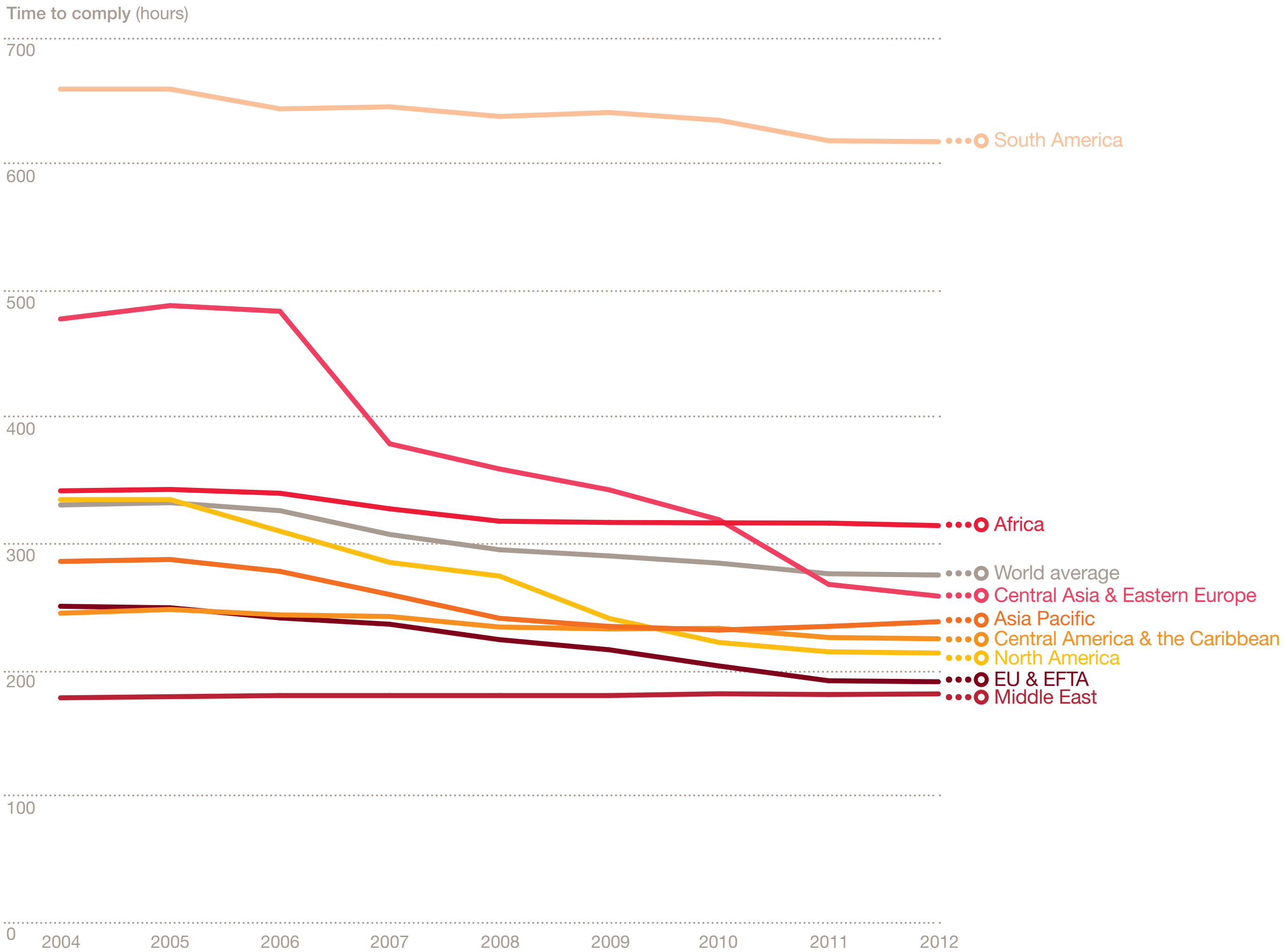
The global average for the time to comply has fallen every year since 2005, however this average fell by just one hour in the most recent period. Figure 3.4 shows how the average global time to comply for the case study company has changed between 2004 and 2012 and how this breaks down by geographical region.

While the average time to comply has fallen by 55 hours over the nine years of the study, the rate of decline has slowed dramatically in the most recent period, falling by only 1 hour between 2011 and 2012. This compares with a fall of at least 5 hours in each of the previous 6 years and one year where there was a fall of almost 19 hours. In the last year, two regions (Asia Pacific and the Middle East) have shown an increase in the number of hours required while three regions in particular have shown a much slower rate of decline (Central Asia & Eastern Europe, EU & EFTA and South America).

Comment:
It is inevitable that the pace of reform will slow as economies implement reforms which bring them closer to a global standard, however there is still more to do. This is the case for Africa, which remains one full week above the global average and in South America where reform has been particularly slow and where the average time to comply is still nearly nine weeks above the global average.

Figure 3.4

The global and regional trends in the time to comply from 2004 to 2012



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.5 analyses the global trend for the average time to comply between corporate income tax, labour taxes and consumption taxes. It shows that consumption taxes have consistently been the most time consuming with time spent on labour taxes and mandatory contributions not far behind. Corporate income taxes have always taken the least amount of time.

Since 2004, the greatest improvement has been seen for labour taxes (23 hours), perhaps demonstrating the greater impact of introducing electronic filing and payment systems for these taxes. The number of hours has fallen by 19 hours for consumption taxes and by 13 hours for corporate income tax.

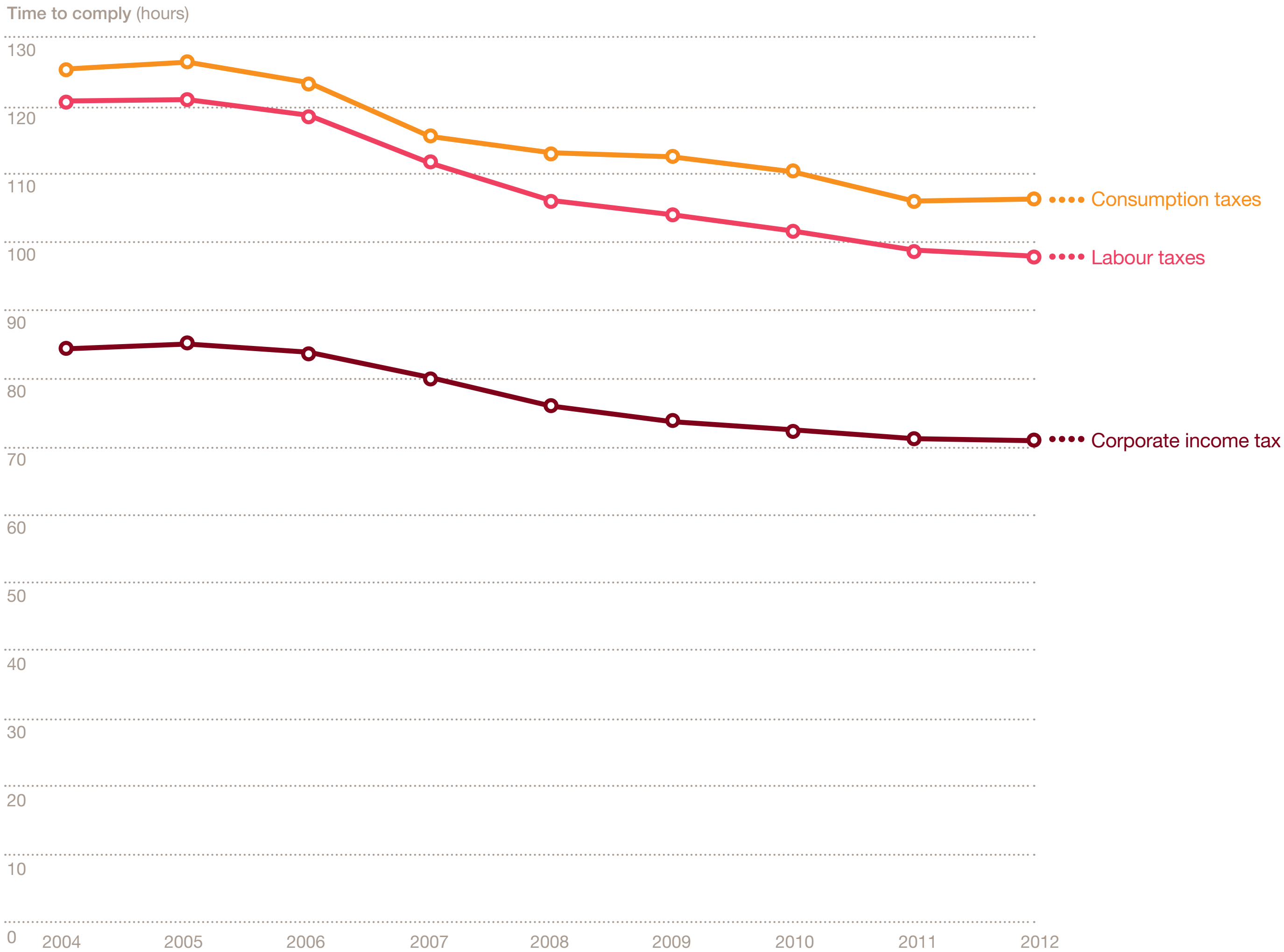
In the most recent period the time spent on consumption taxes has actually increased by a small margin (0.3 hours) reflecting the introduction of new taxes in a few economies. Consumption taxes have consistently been the most time consuming in half of our geographical regions. In North America, corporate income tax takes the most time to comply and in the Middle East, EU & EFTA and Central America & the Caribbean labour taxes have always taken the longest to deal with.

Corporate income taxes have consistently been the easiest to comply with in most regions apart from in the Middle East where, not surprisingly, consumption taxes are the easiest to deal with and in Asia Pacific where labour taxes take the least amount of time.

Comment:
While corporate income tax can be complex, they often only require one return per company per year. Labour and consumption taxes however are often filed and paid monthly and involve repetitive calculations for each employee and transaction. The use of accounting software and electronic filing and payment systems can therefore deliver far greater time savings for labour and consumption taxes than for corporate income taxes, resulting in the global trends that we have seen. It needs also to be recognised that the time to comply sub-indicator takes into account, consumption taxes and elements of labour taxes which are collected by companies on behalf of government. These give rise to a compliance obligation over and above that which arises on the taxes a company bears (which make up the Total Tax Rate).

Figure 3.5

The global trends in the individual types of tax for the time to comply from 2004 to 2012



Source: PwC *Paying Taxes* 2014 analysis

The trends in the number of payments

The global average for the number of payments has fallen every year since 2004, however this average fell by only 0.6 in the most recent period. Figure 3.6 shows how the average global number of payments for the case study company has fallen between 2004 and 2012 and how this breaks down by geographical region.

The global average for the number of payments has fallen in every year of the study. The sub-indicator has fallen by seven payments over the past nine years; all regions have contributed to this fall.

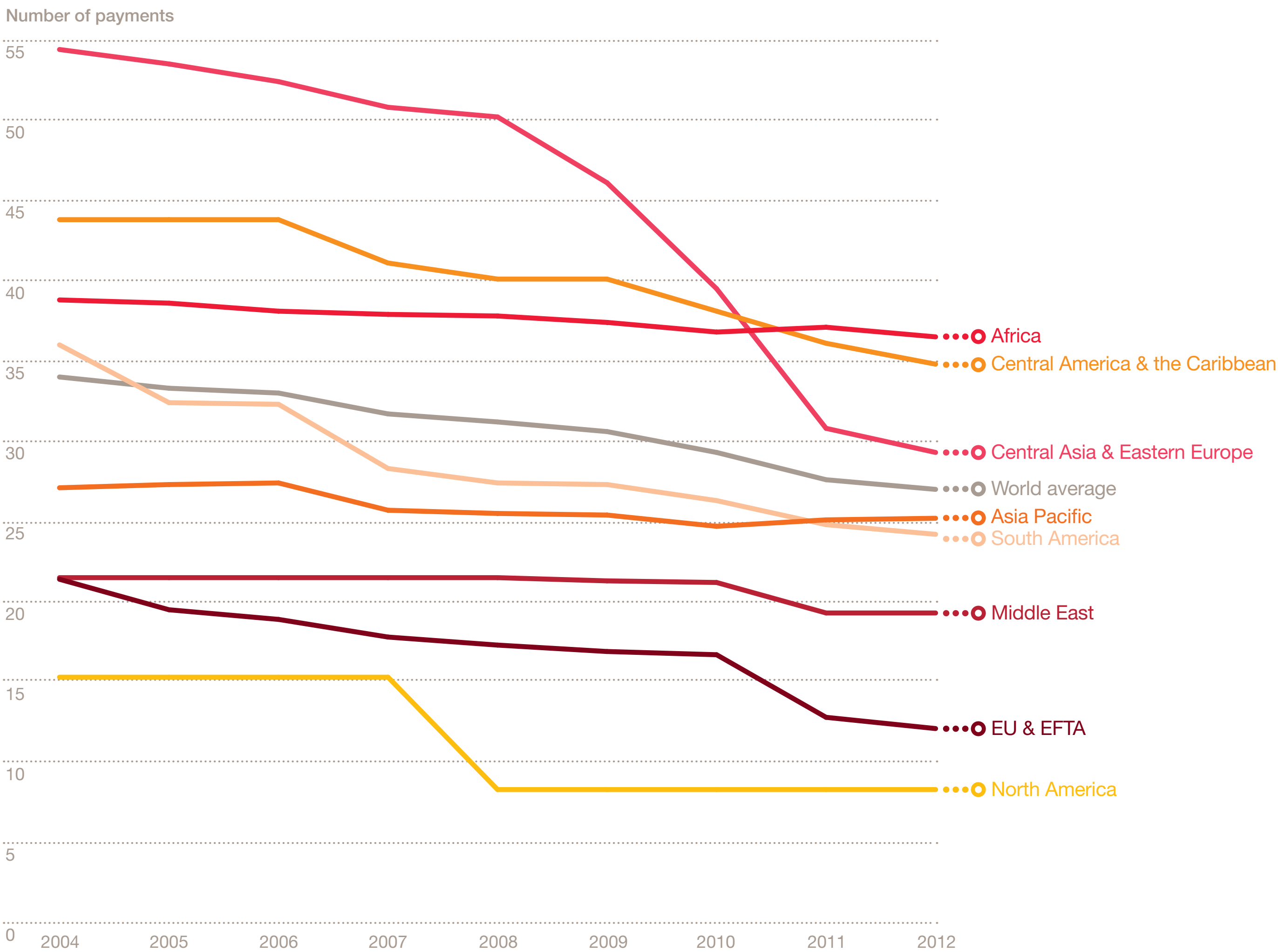
All of the geographical regions have shown a decline in this sub-indicator which is heavily affected by the introduction of electronic filing and payment systems (the sub-indicator records only one payment where electronic filing and payment is available and used by the majority of businesses even though multiple payments may be made). The rate of decline for this sub-indicator has however slowed; as is the case for the other sub-indicators, with small increases appearing in the last two years for Africa and the Asia Pacific region due to the introduction of new taxes and more frequent payments in a few economies.

Comment:

Over the nine years of the study, of the three sub-indicators the number of payments has fallen by the biggest percentage which largely demonstrates the successful implementation of electronic filing and payment systems around the world. But challenges clearly remain in terms of not only introducing such systems, but making sure that they are used by the majority of business and that they are user friendly. It is interesting to note that while such systems have been introduced in South America, they have not always led to significant reductions in the compliance burden.

Figure 3.6

The regional trends in the number of payments from 2004 to 2012



Source: PwC *Paying Taxes* 2014 analysis

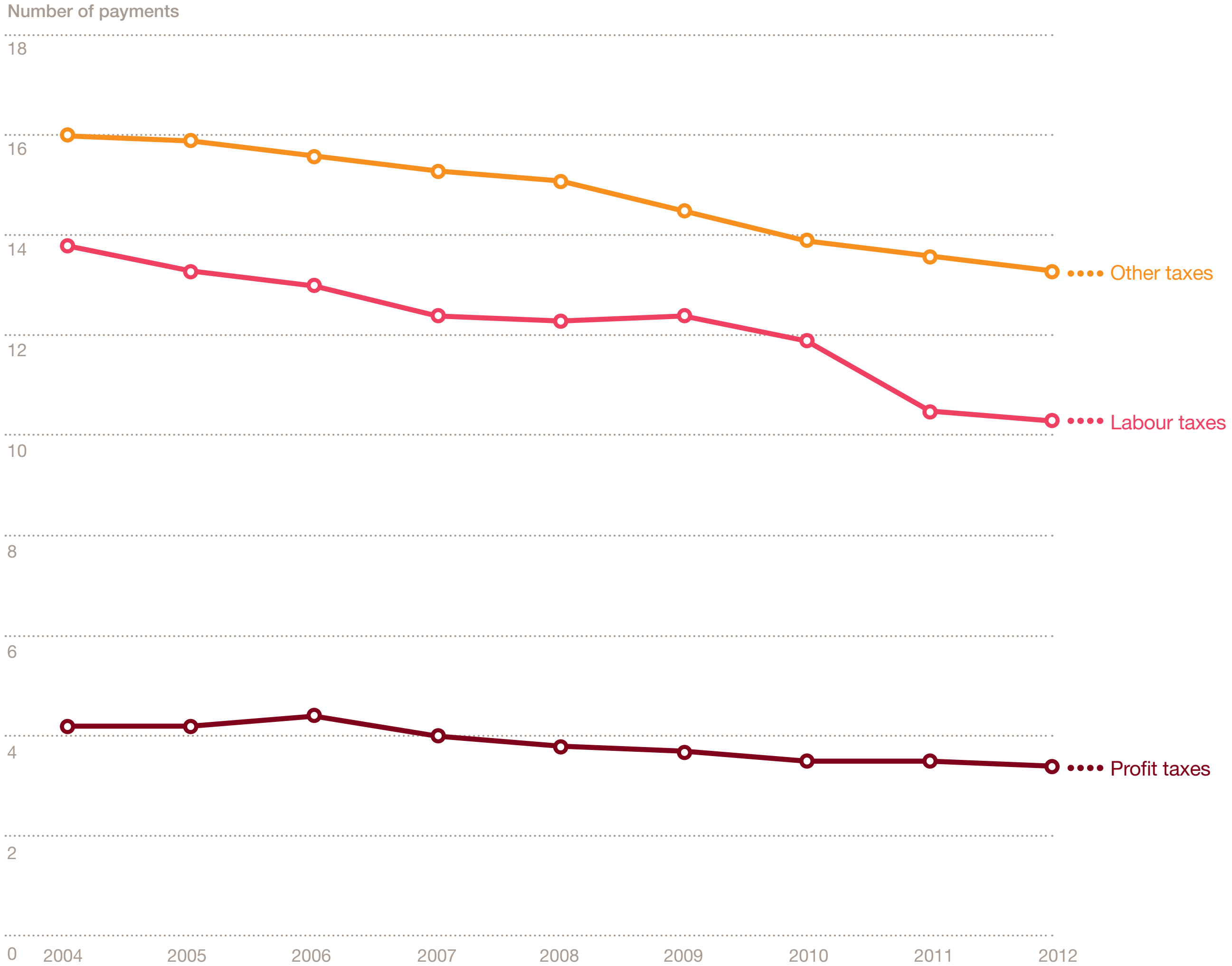
Figure 3.7 analyses the global trend for the number of payments between profit taxes, labour taxes and 'other' taxes. It shows that 'other' taxes (which includes consumption taxes) have consistently had the greatest number of payments with profit taxes always having had by far the smallest number of payments. This reflects the fact that corporate income tax systems often require only one annual payment while consumption taxes are often paid monthly. This pattern is broadly followed in all of the geographical regions apart from the Middle East where labour taxes and mandatory contributions have always had the largest number of payments to deal with.

As for the time to comply, the greatest improvement has been seen for labour taxes (3.5 payments) followed by 'other' taxes (2.7 payments), which includes consumption taxes, while profit taxes have seen the smallest improvement (0.8 payments).

Comment:
It is not surprising that profit taxes show the smallest rate of improvement. Labour taxes and other taxes tend to be more numerous and usually require more regular and often monthly payments. The introduction of electronic filing and payment systems will therefore impact these taxes more.

Figure 3.7

The global trends in the number of payments by type of tax from 2004 to 2012



Source: PwC *Paying Taxes* 2014 analysis

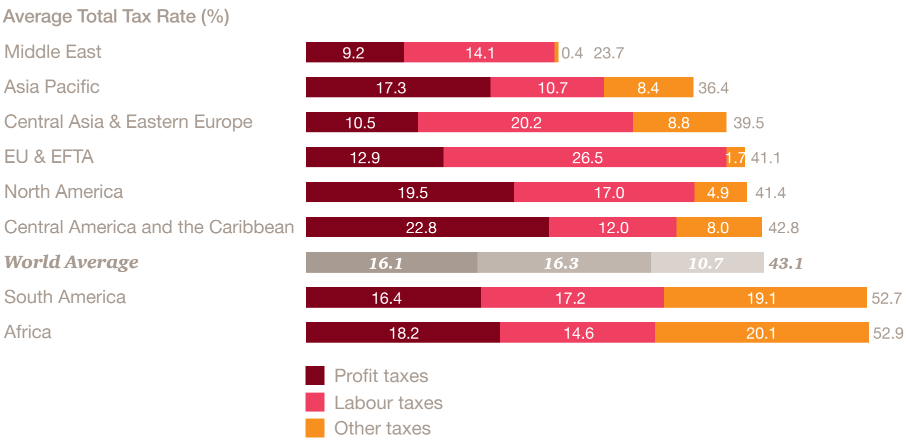
Comparing the eight geographical regions

The Total Tax Rate in 2012

The regional comparison in Figure 3.8 shows that four regions, (Central Asia & Eastern Europe, EU & EFTA, North America, and Central America and the Caribbean) all have average rates that are close to the world average. The Middle East continues to have the lowest average Total Tax Rate, at almost 20 percentage points below the global average. The Asia Pacific region has the second lowest average at 6.7 percentage points below the global average. The Total Tax Rates continue to be highest in Africa and South America. In three regions, labour taxes are the largest component of the Total Tax Rate, in three other regions, profit taxes are the largest element, while 'other' taxes are the largest in the remaining two regions. Labour taxes are the largest element of the overall global Total Tax Rate. The different regions continue to have markedly different profiles in how they tax companies both in the Total Tax Rate and in the mix of taxes which make up that rate. To some extent this reflects the level of development or availability of natural resources, but it also illustrates markedly different policies, for example between the EU & EFTA and North America.

Figure 3.8

Regional comparison of the Total Tax Rate



Source: PwC *Paying Taxes* 2014 analysis

The time to comply in 2012

The regional comparison in Figure 3.9 shows that six of our eight regions have an average time to comply below the global average; the Middle East continues to have the lowest time to comply sub-indicator with 159 hours, some 41% below the global average. Africa has an average of 320 hours which is almost 20% above the world average, while South America still has by far the highest average at 618 hours (15 weeks based on a 40 hour week) which is more than double the world average. The time taken in República Bolivariana de Venezuela, Ecuador, Bolivia and Brazil remains the major reason for the high number of hours taken here. Without these four economies the global average time to comply would be 246 hours. Consumption taxes are the most time consuming in four of our regions, labour taxes take the longest in three, while corporate income tax is only the most onerous in North America. On average complying with consumption taxes takes the longest around the world.

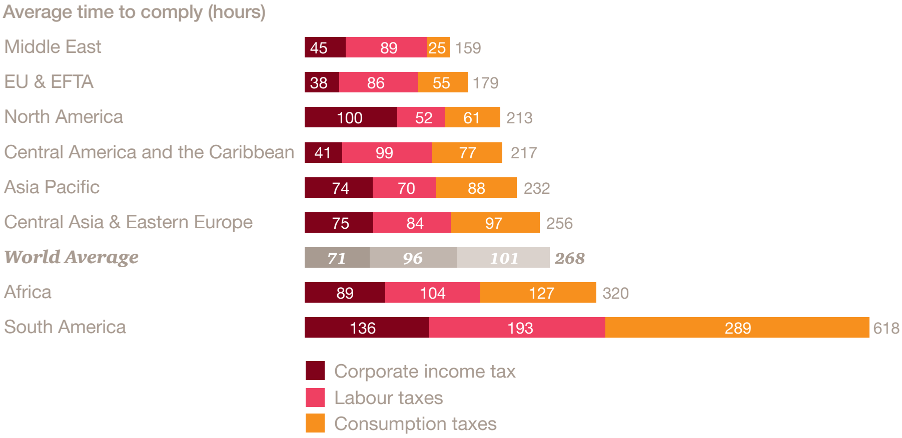
The number of payments in 2012

The regional comparison in Figure 3.10 shows five of our eight regions with an average number of payments below the world average and three above. In North America and the EU& EFTA, the common availability of electronic filing and payment keeps the average number of payments low even though the number of taxes is similar to that found in other regions. At the other end of the scale in Africa and the Central America & the Caribbean the use of electronic filing and payment is more limited. This, coupled with the existence of numerous labour taxes and mandatory contributions and 'other' taxes, keeps their averages above the world average. The Middle East region is below the world average driven by having fewer taxes as well as the increasing use of electronic filing and payment in some economies.

'Other' taxes account for the largest element of the payments sub-indicator in six of our regions and also of the global average. Labour taxes have the most payments in the Middle East and the Asia Pacific regions.

Figure 3.9

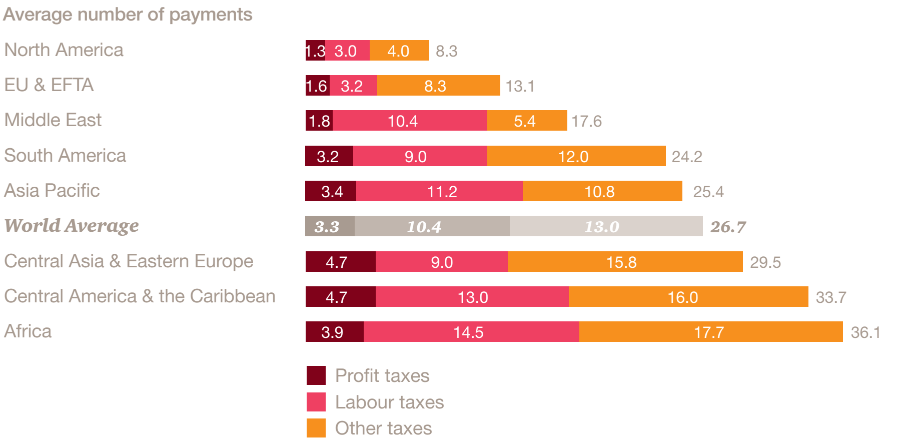
Regional comparison of the time to comply



Source: PwC *Paying Taxes* 2014 analysis

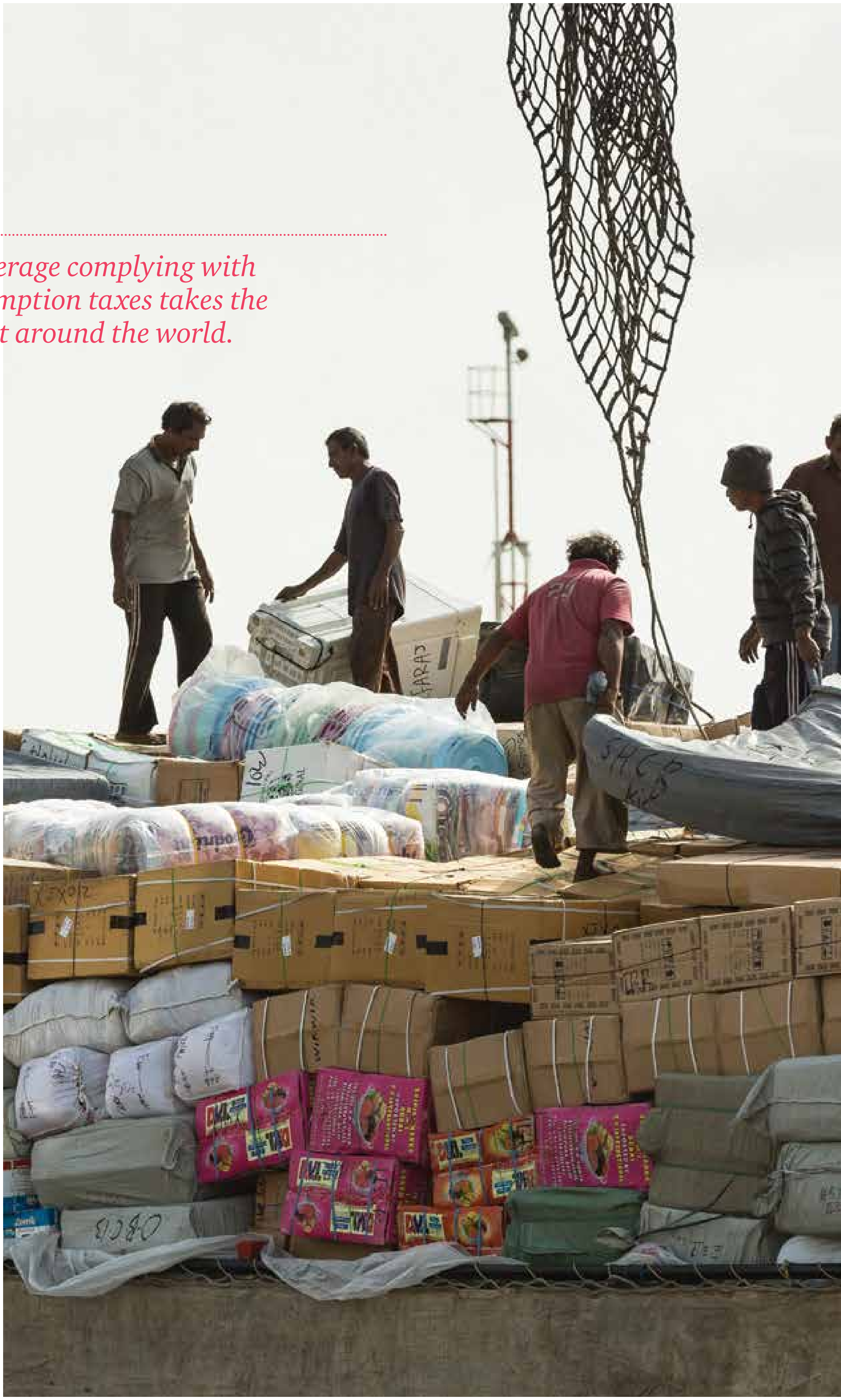
Figure 3.10

Regional comparison of the number of payments



Source: PwC *Paying Taxes* 2014 analysis

On average complying with consumption taxes takes the longest around the world.



The regional analyses
Africa

At 52.9% Africa has the highest average Total Tax Rate of any region.

'Other' taxes are the largest element of the Total Tax Rate for Africa while labour taxes are the smallest part, which is the reverse of the global picture. The elimination of cascading sales taxes is beginning to change this profile.

Africa has the second highest average for the time to comply of 320 hours.

Consumption taxes (VAT) take the most time in Africa – 127 hours on average.

At 36.1 Africa has the highest average number of payments of any region.

While Africa has a higher than average number of taxes, it is the lack of electronic filing in the region which contributes most to the difficulty of paying taxes. In only 3 of the 53 economies do the majority of companies use electronic filing for all major taxes.

While the average Total Tax Rate for the region has fallen significantly since 2004 (by 16 percentage points largely as a result of the replacement of cascading sales taxes), the reduction in the average time to comply has been more moderate (28 hours) and the fall in the average number of payments has been small (2.3 payments).

The most significant falls in the time to comply have been in labour taxes, though this has increased slightly in recent years.

52.9
Total Tax Rate (%)

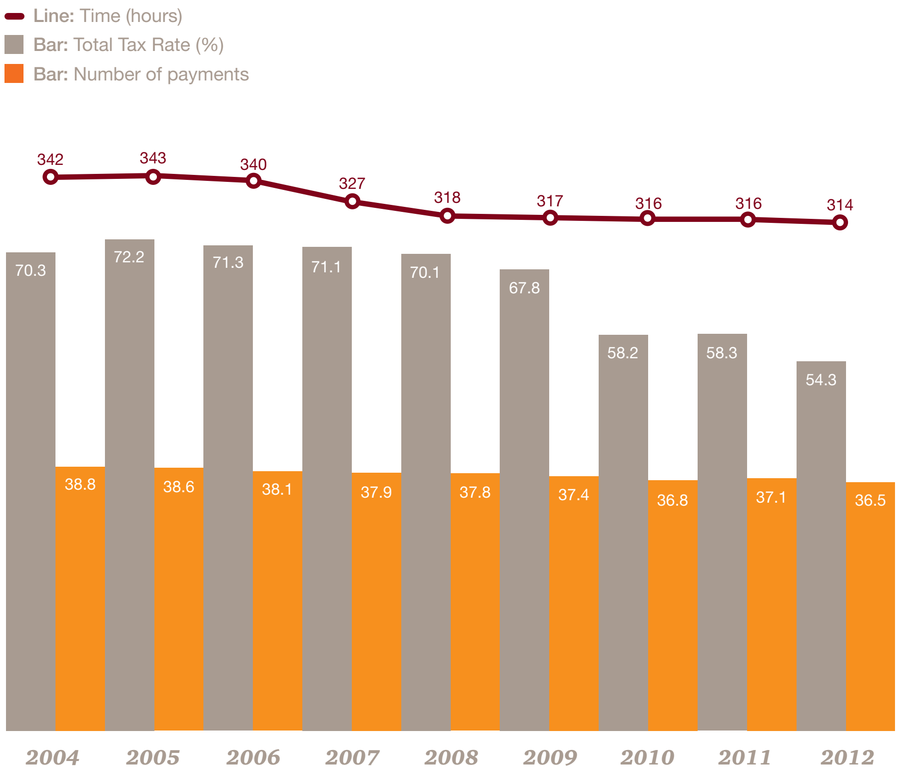
320
Time (hours)

36.1
Number of payments

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

Figure 3.11

The sub-indicator trends for Africa



The trend data in Figure 3.11 includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are: Liberia, Libya, South Sudan

Source: PwC *Paying Taxes* 2014 analysis

All three sub-indicators have fallen over the nine years of the study

The nine year trends in Africa

The fall in the Total Tax Rate from 70.3% in 2004 to 54.3%[18] in 2012 is the most marked, with smaller reductions in the time to comply and in the number of payments made. The 2012 average Total Tax Rate for the region is well above the world average, due in part to the continuing presence of cascading sales taxes in Comoros and The Gambia. As explained below, it is the replacement of cascading sales taxes by VAT that has contributed most to the drop in Total Tax Rate for the region.

The average time to comply in the African region has been consistently above the world average since 2004 and the gap between the two averages has steadily increased over that period. As shown in Figure 3.11, the number of hours has reduced by just under 10% since 2004, though the rate of reduction has slowed in recent years. Other regions have had more substantial reforms in the same period. For example, the Central Asia & Eastern Europe time to comply was 136 hours higher than Africa's in 2004, but by 2012 this had dropped not just to below the Africa average, but also to below the world average. The time to comply in 29 economies around the region is above the world average with seven economies (Republic of Congo, Cameroon, Senegal, Mauritania, Chad, Libya and Nigeria) having hours in excess of 600 (over 15 weeks).

The average number of payments for the region is also well above the world average, yet over nine years it has dropped by only just over two payments. At the start of this period, the Central Asia & Eastern Europe, and Central America & the Caribbean regions both had more tax payments than Africa; both of these regions now have fewer payments than Africa. The lack of availability of online filing and payment systems is the main reason for the number of payments sub-indicator being high. This is exacerbated by the number of different taxes and the fact that in many economies payments are made to several levels of government.

[18] In this section the averages are calculated only for those economies that have been included in all nine years of the study to ensure that we represent a true trend. The trend data for 2012 will therefore differ from 2012 data which includes all economies. The economies excluded from the Africa region trend data are: Liberia, Libya and South Sudan

The fall in Africa's Total Tax Rate since 2004 is largely due to the abolition of cascading sales taxes

The Total Tax Rate in Africa

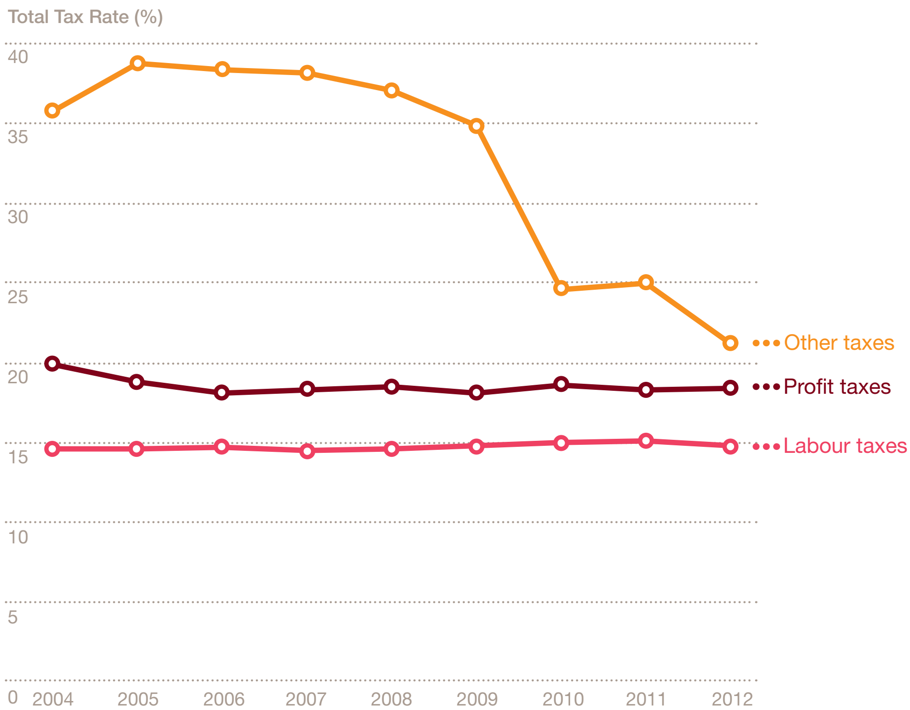
Figure 3.12 shows how the Total Tax Rate in Africa breaks down into the three main components of profit taxes, labour taxes and other taxes. It shows how the rate of decline in the Total Tax Rate varies between the three main types of tax. Labour taxes account for a relatively small proportion of the Total Tax Rate and the labour tax percentage has remained virtually flat since 2004 due to the small number of reforms and the fact that while some economies have decreased labour taxes, others have increased them. 'Other' taxes have fallen noticeably, particularly in the last five years. While the trends for each of the types of tax are consistent with the global trend, the profile of taxes is still out of step, with 'other' taxes still being the largest component (rather than the smallest at the global level) of the Total Tax Rate and labour taxes being the smallest (rather than being the largest as is seen for the global average).

The cascading sales taxes still present in Comoros and The Gambia (for 2012) contribute heavily to the high proportion of sales and other taxes, which in turn leads to a high Total Tax Rate. Burundi, Djibouti, Mozambique, Sierra Leone, Swaziland and, most recently, the Democratic Republic of the Congo have abolished cascading tax systems and adopted a VAT system leading to the significant reduction in the Total Tax Rate. If the two economies that still have cascading sales taxes were excluded from the regional average it would reduce to 46.1%.

Looking across the Africa region, corporate income tax is prominent in the majority of economies while labour taxes and mandatory contributions are relatively small. In three economies, the Central African Republic, Equatorial Guinea and the Republic of Congo, the case study company must pay the higher of a corporate income tax on profits or a minimum sales tax based on turnover. In all three cases the sales tax is higher than the profit tax and therefore the company pays no profit taxes. Nevertheless these economies still had high or fairly high Total Tax Rates of 87.6%, 44.1% and 63.8% respectively in 2012.

Figure 3.12

Trend in Total Tax Rate in Africa by type of tax

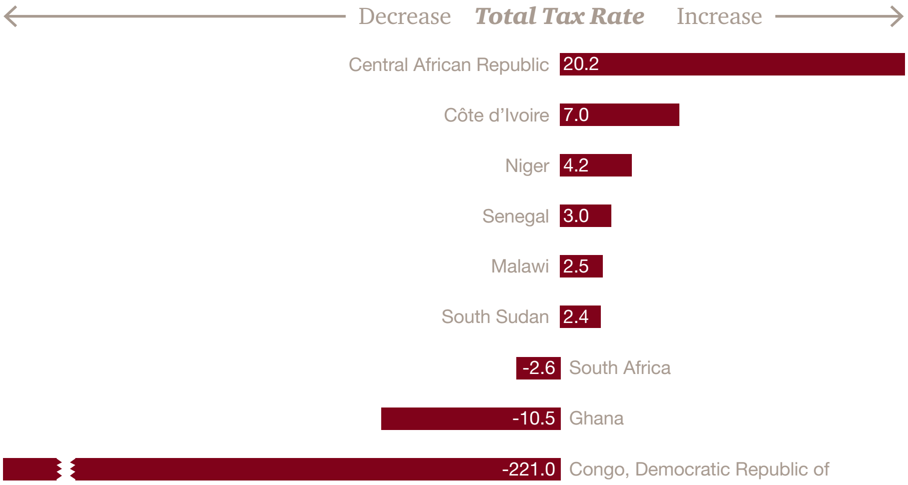


Source: PwC *Paying Taxes* 2014 analysis

The fall in Total Tax Rate in the Democratic Republic of the Congo dwarfs increases in other economies

Figure 3.13

Significant movements in Total Tax Rate between 2011 and 2012 – Africa



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.13 shows the African economies that have had the most significant movement in Total Tax Rate between 2011 and 2012. Only 9 of the 53 African economies exhibited significant changes in the Total Tax Rate. The reforms affected profit, labour and 'other' taxes, but the reforms with the biggest impact on Total Tax Rate were made to 'other' taxes. In each of the three tax types of tax some reforms reduced the Total Tax Rate, while others increased it. Without the reduction in the Total Tax Rate recorded in the Democratic Republic of the Congo, the African average would have increased.

- The Democratic Republic of the Congo abolished its 15% cascading sales tax in 2012 replacing it with VAT at 16%.

- Ghana introduced a cap on employer and employee social security contributions. The contributions are now levied only on the first GHS20,000 (approximately USD10,000) of salary per year. Previously the contribution had been levied on the full salary.

- The most significant change in South Africa was the abolition of its secondary tax on companies, which was replaced by a dividend withholding tax of 15%.

- South Sudan, which features in the study for the first time, increased its rate of corporate income tax from 10% to 15%. Senegal also increased its corporate income tax rate from 25% to 30%.

- Malawi abolished its minimum level of tax which was based on a percentage of turnover, but this did not affect the case study company as it was already paying corporate income tax at a level above the threshold. The increase in Total Tax Rate is largely explained by an increase in the effective rate of employer pension contributions and changes in stamp duty on property sales.

- The increase in Niger's Total Tax Rate is largely due to the amount of depreciation on machinery that can be treated as tax deductible being halved from 20% to 10%.

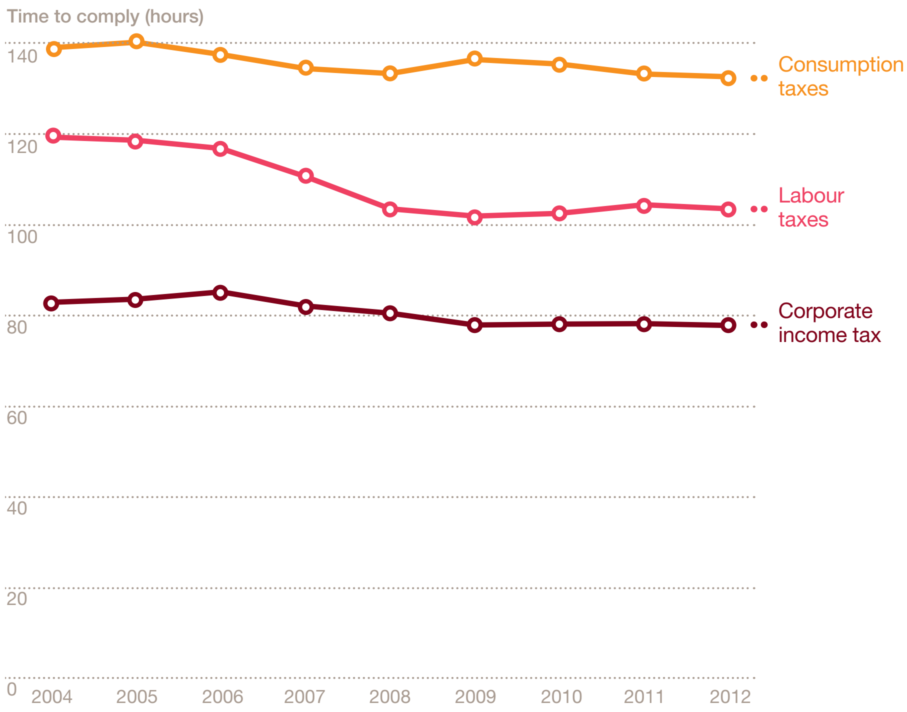
- Côte d'Ivoire increased its Total Tax Rate by increasing the rate of social security contributions relating to retirement and abolishing several tax reliefs.

- Finally, the largest increase in Total Tax Rate occurred in the Central African Republic due to the introduction of a new environmental tax levied per tonne of waste produced. This increased the Total Tax Rate from 67.4% to 87.6%.

The fall since 2004 in time to comply with tax obligations in Africa has been driven by reductions in the time to comply with labour taxes

Figure 3.14

Trend in time to comply in Africa by tax type



Source: PwC *Paying Taxes* 2014 analysis

The time to comply in Africa

Figure 3.14 shows the breakdown in the time to comply since 2004 split by the type of tax. Consumption taxes have consistently required the most time to comply.

Over the last nine years, the average time to comply in Africa has fallen by 28 hours with almost 60% of the decline, the largest fall, coming from reductions in the time to comply with labour taxes which is consistent with the global trend. The difference between time to comply with labour and with consumption taxes has widened from 20 hours in 2004 to 29 hours in 2012. The time taken to comply for labour taxes is still high when compared to the relative proportion of the Total Tax Rate that is attributable to these taxes. This may be explained by the fact that most economies levy not only a personal income tax, but also more than one social security contribution. In addition, most companies have to administer not only the labour taxes that they bear themselves, but also the taxes which are borne by the employees, but withheld by their employers.

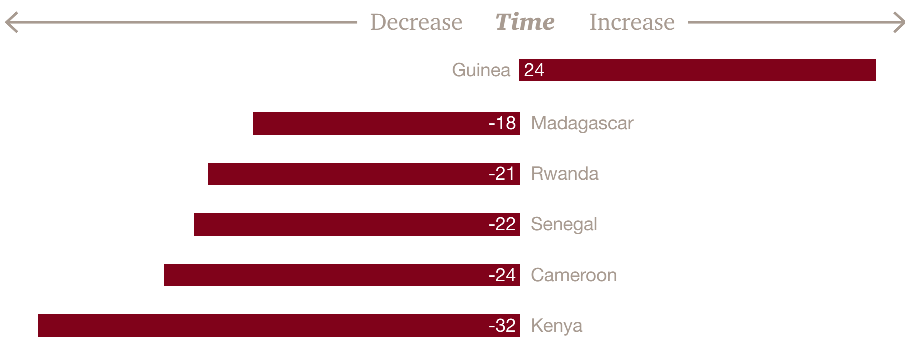
A number of economies have dramatically reduced the time required to comply, particularly for labour taxes. In several cases the number of hours required to comply with labour taxes has dropped by over 100 hours in a single year due to a range of measures such as introducing online filing and payment, increased use of accounting software, consolidating tax offices to allow several taxes to be paid at the same office and allowing several taxes to be paid together.

In most years, however, only a handful of economies have shown a significant change in the time to comply with labour, corporate income or consumption taxes. Nevertheless, these changes are often so dramatic that a change in just one economy can noticeably affect the average for the whole Africa region.

Five economies have reduced their time to comply by at least 18 hours, while only Guinea's time to comply has increased

Figure 3.15

Significant movements in time to comply between 2011 and 2012 – Africa



Source: PwC *Paying Taxes* 2014 analysis

The most significant movements in time to comply for the African economies are shown in Figure 3.15.

For the region as a whole in 2012, the time to comply for corporate income, labour and consumption taxes reduced marginally due to reforms in five economies. None of the economies, however, has experienced the type of significant reforms that led to the dramatic reductions in the time to comply seen in some African economies in earlier years.

The reasons for the movements are:

- In Kenya, an online filing system was introduced in 2009, but recent upgrades to the system and enhancements to the software have increased the impact. The time to comply has been steadily falling in Kenya from a peak of 432 hours in 2005 and 2006 to 308 in 2012.

- Enhancements to electronic filing and the use of electronic payments for social security contributions have reduced the time required in Cameroon by 24 hours to 630 hours – which is still one of the highest in the region.

- In its first reduction in time to comply since 2007, Senegal has reduced its time to comply by 22 hours to 644 hours. This is due largely to increased used of accounting software.

- Already one of the most efficient economies for paying tax in the region, Rwanda reduced its time to comply by a further 21 hours due to the extension of its electronic filing systems. Since 2004, Rwanda has reduced its time to comply by nearly a third from 168 hours to 113 hours.

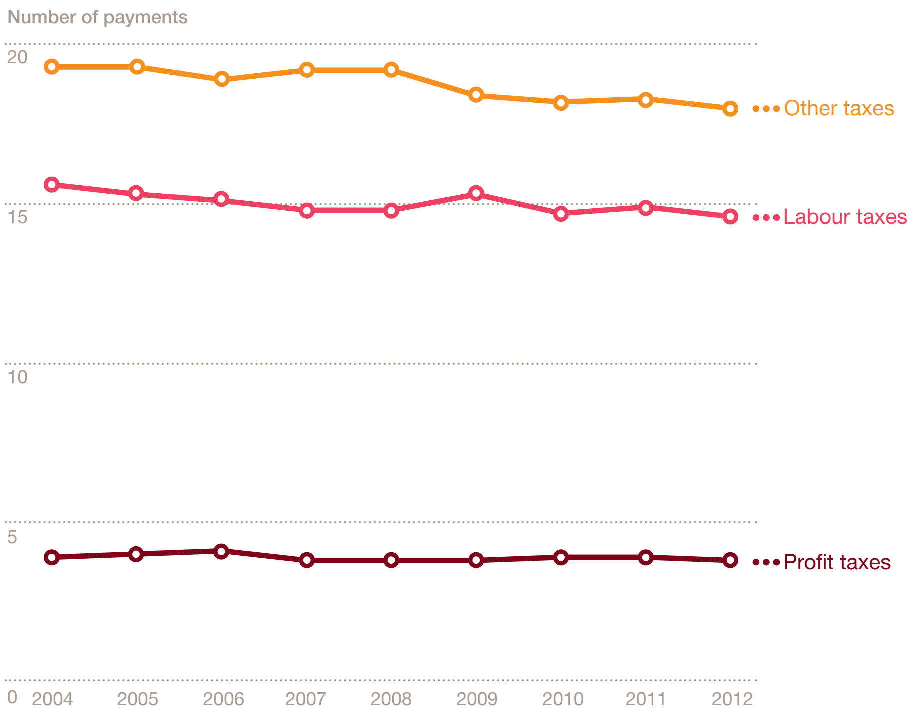
- In 2012, electronic filing was made mandatory for all major taxes in Madagascar following increased taxpayer training in late 2011. This has reduced the time to comply by 18 hours to 183 hours.

- The one increase in time to comply in the region for 2012 was Guinea; the time increased by 24 hours following the introduction of a requirement to provide a supporting summary when filing VAT returns.

The average number of tax payments has fallen only slightly across the African region since 2004, mainly in respect of ‘other’ taxes and labour taxes.

Figure 3.16

Trend in the number of tax payments in Africa by tax type



Source: PwC *Paying Taxes* 2014 analysis

The number of payments in Africa

Across the Africa region, the number of payments has declined slightly since 2004 as shown in Figure 3.16. The smallest decline is in profit taxes, with labour and ‘other’ taxes each declining by roughly one payment over the last nine years. This pattern is consistent with the global trend.

Africa remains the region with the highest number of tax payments due to a lack of availability of electronic filing and payment, a large number of separate taxes, low availability of joint payments and the fact that taxes can often be levied by more than one level of government.

In the region, 44 out of the 53 economies have more payments than the world average, with ‘other’ taxes accounting on average for half of the payments.

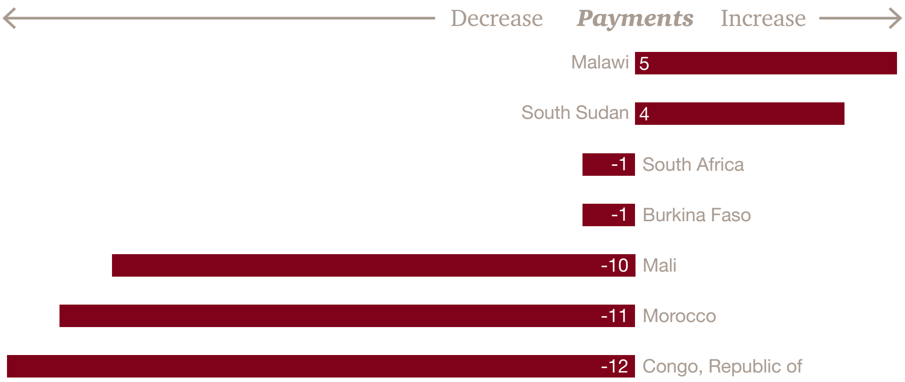
Although labour tax payments have declined across the region since 2004, only 10 economies had fewer labour tax payments in 2012 than in 2004, while 3 economies had more payments.

There have been more changes to the number of payments for ‘other’ taxes, but these have led to both increases and decreases. Now 14 economies have a lower number of payments of ‘other’ taxes than in 2004, with an average drop of 6 payments per economy where there has been a reduction. On the other hand, 7 economies have increased their payments of ‘other’ taxes by an average of 2.9 payments since 2004.

Compared to 2011, five economies had fewer tax payments in 2012, while two had more payments.

Figure 3.17

Significant movements in tax payments between 2011 and 2012 – Africa



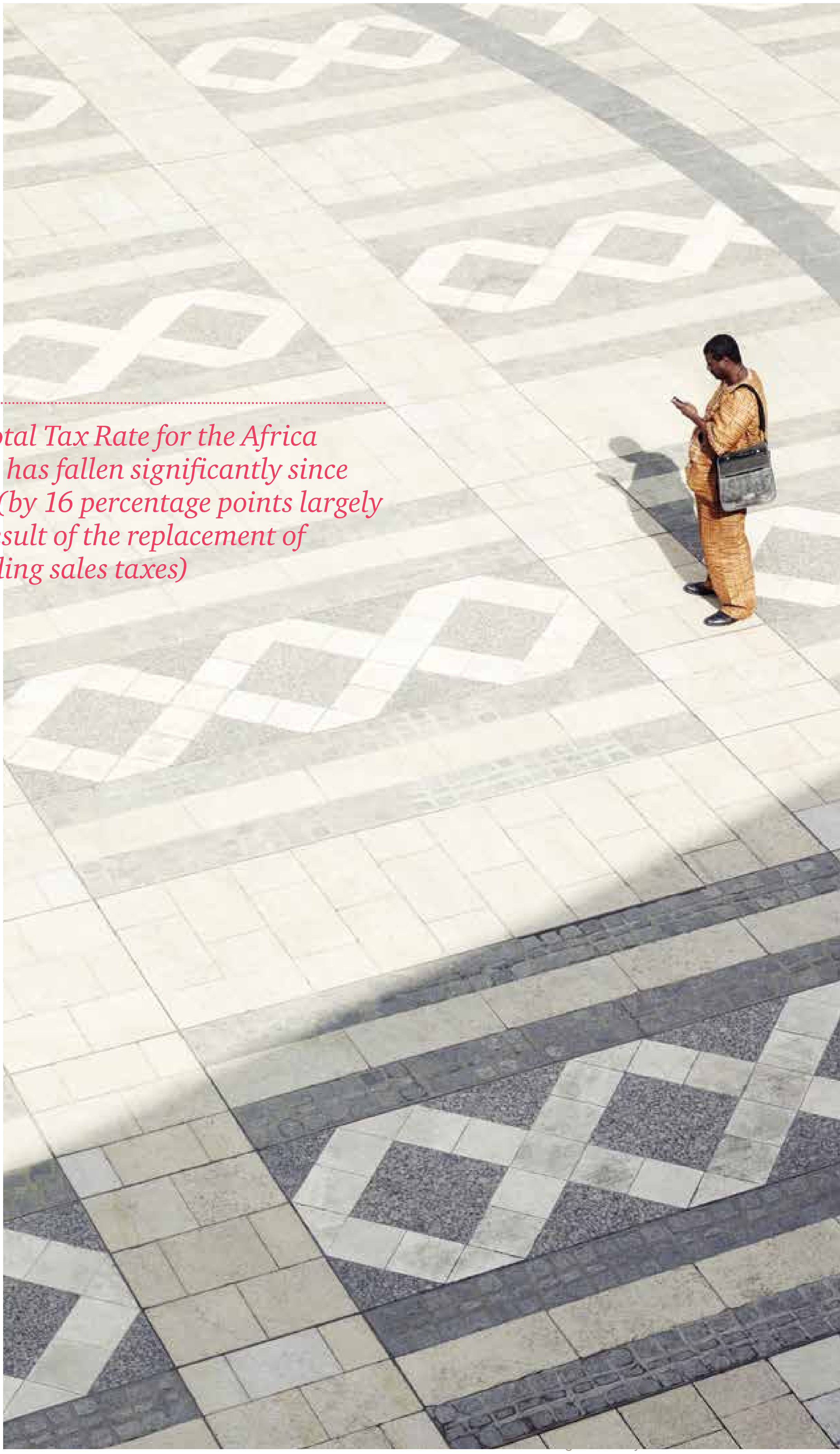
Source: PwC *Paying Taxes* 2014 analysis

Figure 3.17 shows the most significant changes between 2011 and 2012 in the number of tax payments made in the Africa region. It is worth noting that these economies are different from those showing the greatest change in time to comply. This would seem to suggest that the reforms of the tax compliance systems have not included wholesale changes to both filing and payments. In two economies the reduction is due to the abolition of a tax, while the increase in Malawi is due to new taxes being introduced.

The reasons for these significant changes are:

- In the Republic of Congo, four labour taxes were merged into a single tax on salary taking the economy from having the second highest number of tax payments in the region to the ninth highest.
- Online filing has been available in Morocco for social security contributions since 2003, but it was only adopted by the majority of companies in 2012. This has led to a reduction in the number of tax payments as the tax has moved to being largely paid online. At six, Morocco now has the lowest number of payments in the region.
- The number of tax payments in Mali has fallen by 10 to 35 as VAT and apprenticeship tax can each be paid jointly with other taxes.
- Burkina Faso and South Africa now both have one payment fewer. In the case of Burkina Faso this is due to the abolition of a separate capital gains tax and for South Africa it is due to the removal of the secondary tax on companies.
- Malawi and South Sudan have both increased their number of tax payments. In Malawi this is due to a new tax on property transfers and to the pension contribution, which was introduced part way through 2011, having been in place for all of 2012. In South Sudan advanced quarterly payments of corporate income tax were introduced.

The Total Tax Rate for the Africa region has fallen significantly since 2004 (by 16 percentage points largely as a result of the replacement of cascading sales taxes)



Nigeria

In need of a coordinated approach to tax reform

Taiwo Oyedele
PwC Nigeria

The Nigerian economy has been growing steadily at about 5% per annum for some years now. This has raised the focus on the business climate, including taxation. As Nigeria continues to seek ways to diversify its economy and achieve further development, government at all levels and the population recognise the importance of a dynamic tax system that is not only geared towards fiscal growth, but addresses the sophistication of today's business environment with the attendant complexities.

Taxation and fiscal policy matters are therefore now of greater interest and as the Nigerian Government and regulatory agencies observe trends in developed economies, they in turn are focusing their attention on enforcing total compliance. On the other hand, taxpayers are finding smarter and better ways to manage their affairs to ensure full compliance at minimum cost, and to balance tax planning with corporate responsibility and long term sustainability.

Over the years, the Nigerian Government, especially through the Federal Inland Revenue Service and the Joint Tax Board, has been making efforts to reform the tax system in a structured and coordinated manner. One such initiative was the development of a National Tax Policy (NTP) aimed at simplifying the tax system, eliminating multiple levels of taxation and ensuring tax transparency.

However, a new law, the Employee Compensation Act, was enacted to introduce a compulsory monthly payment by all employers. This new tax resulted in an increase in each of the *Paying Taxes* sub-indicators – the Total Tax Rate, number of tax payments and the compliance time, hence the downward trajectory for Nigeria on the *Paying Taxes* rankings for the current year.

33.8
Total Tax Rate (%)

956
Time (hours)

47
Number of payments

While the introduction of new taxes is one option for increasing tax revenues, this should not be the main focus as more could in fact be achieved through increased compliance with existing laws. We welcome any measures that make tax systems more efficient and easier to follow thereby increasing compliance.

One positive step is the on-going effort to introduce an electronic tax system called the Integrated Tax Administration System (ITAS). The new system will automate tax filing and documentation of taxpayer information. Also, a new transfer pricing regulation was introduced in 2012. While this is likely to increase the compliance time, it provides more certainty to investors and is therefore expected to have an overall positive impact on the tax system.

There was also an improvement in the approach to tax dispute resolution. The government speedily reconstituted the tax appeal tribunal tasked with the role of adjudicating over disputes arising from the operations of all tax laws and regulations. This is a marked improvement from the past where the tax appeal tribunal was not constituted for a long time leaving many tax cases unresolved for many years.

Various tax incentives are being introduced such as tax exemptions on interest from all bonds and treasury bills for a period of 10 years. Incentives have also been granted for companies that provide infrastructure for public purposes and companies that employ inexperienced graduates and those that retain them for at least 2 years. However, important legislative changes that would make the incentives more effective have not been addressed, such as the law that imposes corporate income tax on dividends distributed out of tax exempt profits.

The speed with which legislation is passed also affects taxpayer certainty. There is a balance to be struck between ensuring that legislation is properly scrutinised and giving companies sufficient certainty on timing to allow them to properly plan for the introduction of new legislation. There are a number of tax bills, including the Petroleum Industry Bill, that are currently pending leading to increased uncertainty among taxpayers.

Overall, Nigeria is taking some positive steps to reform the tax system, but to achieve the desired result in the shortest possible time, these efforts need to be coordinated rather than being implemented at cross purposes. The greatest fiscal incentive to businesses is simplicity and certainty of the tax system.

South Africa

Paying taxes expected to become more difficult, after years of improvements

Paul de Chalain
PwC South Africa

South Africa's Total Tax Rate saw a significant reduction in 2012, falling to 30.1% in the current study. This reduction is primarily due to South Africa replacing the secondary tax on companies, which was levied on a company declaring a dividend, with a dividends tax that is levied on the shareholder. The Total Tax Rate has also reduced substantially from 37.6% in 2004. There are currently no proposals that could lead to further significant changes in the Total Tax Rate in the short term. In the medium term, however, there are two changes worth mentioning. The proposed National Health Insurance could significantly increase the Total Tax Rate of the case study company in the near future, but this will depend on how it is proposed to be funded.

Also, it is proposed that a carbon tax be introduced in 2015 which could see the tax burden on companies that are liable for that tax increasing significantly, although the carbon tax would not affect the Total Tax Rate of the *Paying Taxes* case study company.

The time taken for companies to comply with their tax obligations has been on a declining trend since e-filing was introduced in 2003. Continued improvements have been made over the years, including the ability to file a single monthly return for a number of payroll taxes and reduced requirements for submitting supporting information with corporate income tax returns. However, some of these gains are expected to be eroded for a variety of reasons. The South African Revenue Service (SARS) has reversed the trend for the provision of less information and has now introduced a number of measures which will increase the compliance burden on taxpayers. These measures include the introduction of a new corporate income tax return in 2013 with enhanced disclosure requirements; the introduction of a supplementary income tax return whereby companies may be required to reconcile accounting profits, corporate income tax profits, payroll taxes and indirect taxes; and onerous compliance requirements were introduced along with the new dividends tax. Certain taxpayers, most notably banks, are now also subject to onerous new requirements to provide third party information to SARS. Add to the above the proposed new withholding taxes on interest paid to non-residents to be introduced in 2015, and the medium term outlook for the compliance burden on companies does not look rosy.

30.1
Total Tax Rate (%)

200
Time (hours)

7
Number of payments

Many of these changes can be attributed to the pressure that tax revenues are under and concerns with the protection of the South African tax base. To this end, South Africa is no different from many other countries and has recently undertaken, or signalled an intention to undertake, a number of other steps to protect its tax base.

These steps include:

- reform of transfer pricing legislation
- hybrid debt and equity rules
- extending exit charges in connection with the migration of tax jurisdiction
- refining controlled foreign company legislation
- proposed rules for excessive interest
- requirements for suppliers of digital services to register for VAT in South Africa
- renegotiation of tax treaties, and
- negotiation of numerous bilateral and multilateral mutual assistance and exchange of information agreements.

In addition, many corporates report a marked increase in SARS inquiry and audit activity. The tax administration landscape in South Africa is therefore going through a significant period of change.

Many of these changes do not affect the case study company given its assumed attributes; however, they do serve to illustrate the creeping compliance burden that many companies will be experiencing.

Uganda

Looking to increase tax revenues without adding to the administrative burden

Robert Nsereko
PwC Uganda

Uganda's ranking now at 98 out of the 189 economies covered by the study on *Paying Taxes*, remains ahead of the rest of the East Africa region except for Rwanda.

The time taken to comply with taxes in Uganda has improved a little in the most recent period, and is better than the average for Sub Saharan Africa which is now at 314 hours. This position can partly be explained by the efforts of the Government of Uganda to make paying taxes much easier through both legislative and administrative reforms.

On the administrative side, the Uganda Revenue Authority (URA) has implemented measures to reduce the time it takes a taxpayer to comply with the law. These include; improved access to the URA customer service channels like email and SMS alerts; a dedicated help desk for handling taxpayer queries; introduction of flexible working hours during deadline filing days through the extension of working hours to assist taxpayers who encounter any difficulties. Even when filing days fall on weekends, URA teams are available to help. The tax administration has also introduced practical learning sessions for newly registered tax payers to equip them with hands-on knowledge around navigating the online filing system. This is truly commendable and we expect to see even more initiatives introduced in future, as tax administration becomes even more complex.

36.6
Total Tax Rate (%)

209
Time (hours)

31
Number of payments

However, in a bid to increase domestic tax revenues, it should be noted that the URA has now introduced additional requirements for transfer pricing information which will place an additional burden on business (although in view of the *Paying Taxes* case study company fact pattern this will not be reflected in the *Paying Taxes* sub-indicators). Coupled with this, is the ability of the online filing system to cope with heavy user traffic during peak times especially towards filing deadlines. The URA will therefore need to find more innovative ways of increasing domestic revenue without hampering the gains made so far in improving compliance time.

On the legislative side, during the 2013/14 annual budget speech, the Government proposed increased collaboration between government departments and the tax authority by improving the sharing of information aimed at improving compliance with the tax system. Furthermore, the mandate to collect all dues and charges was passed to the URA from the Uganda Registration Bureau. This is expected to improve how easy it is to pay tax as the URA has better tax collection systems compared to any other Government department.

Over the years, the Government has continued to put in place measures aimed at improving the tax regime including the restructuring of the Kampala City Council Authority and the Uganda Registrations Services Bureau. It is expected that all these efforts, coupled with better collaboration between different departments, will continue to make taxes easier to pay in Uganda

Overall, while there is still more room for improvement, it is important to recognise the positive steps taken by the URA to become more taxpayer centric. It is hoped that such measures will have a positive impact on the ease of paying taxes in Uganda and most importantly to help sustain the increase in revenue collection which has been seen over the years. The Government's target to raise 80% of its 2013/14 budget financing from domestic revenue is an ambitious target and its realisation will partly be supported by continuous efforts in easing the process of compliance.

The regional analyses

Asia Pacific

The regional averages for Total Tax Rate (36.4%), time to comply (232 hours) and number of payments (25.4) are all below the global average.

Only the Middle East (23.7%) has a lower average Total Tax Rate.

Profit taxes rather than labour taxes account for the largest element of the Total Tax Rate, but the trend for increasing labour taxes and reducing profit taxes and 'other' taxes is consistent with the global trend.

The average time to comply (232 hours) in the region is moderately low. Only 11 out of the 37 economies in the region take more time than the global average.

For all years since 2004, profit tax has been the largest element of the average regional Total Tax Rate, at around 50%.

The relative lack of electronic filing and payments in the region keeps the average number of payments (25.4) close to the world average (26.7). There are only 12 of the 37 economies in this region where the majority of companies use electronic filing for all major taxes.

The trend data over the last nine years shows a steady but moderate decrease across all the three sub-indicators; on average the Total Tax Rate has reduced by 3.4 percentage points, the number of payments by 1.9, and the time to comply by 48 hours.

The time to comply and number of payments have both risen slightly since their lowest point in 2010.

36.4	232	25.4
Total Tax Rate (%)	Time (hours)	Number of payments

Thailand
Country article, page 62

Singapore
Country article, page 60

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

Figure 3.18

The sub-indicator trends for Asia Pacific

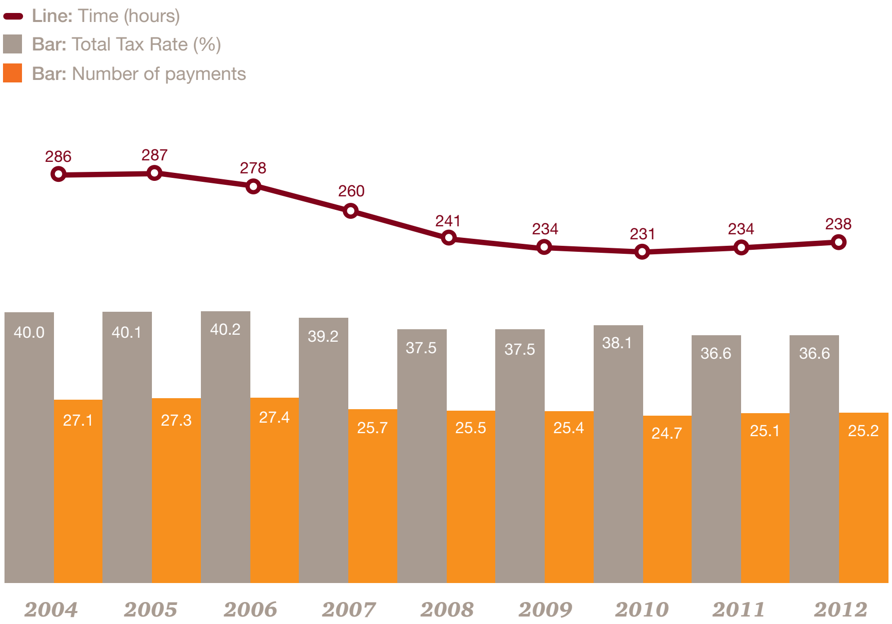


Figure 3.18 shows the trend in the three *Paying Taxes* sub-indicators since 2004. It includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are: Brunei Darussalam and Myanmar.
Source: PwC *Paying Taxes* 2014 analysis

Overall, the three sub-indicators have fallen since 2004, but the decline has slowed or reversed in recent years

The nine year trends in Asia Pacific

Overall, the average Total Tax Rate for the region has fallen over the last nine years of the study, as shown in Figure 3.18, from 40.0% to 36.6%,[19] though it rose slightly in 2010 and has fallen again since. As explained below, the small reduction in the Total Tax Rate has been driven by falls in profit taxes. Approximately two thirds of the economies in the region have reduced their Total Tax Rates since 2004, while a fifth have increased their Total Tax Rate over the same period.

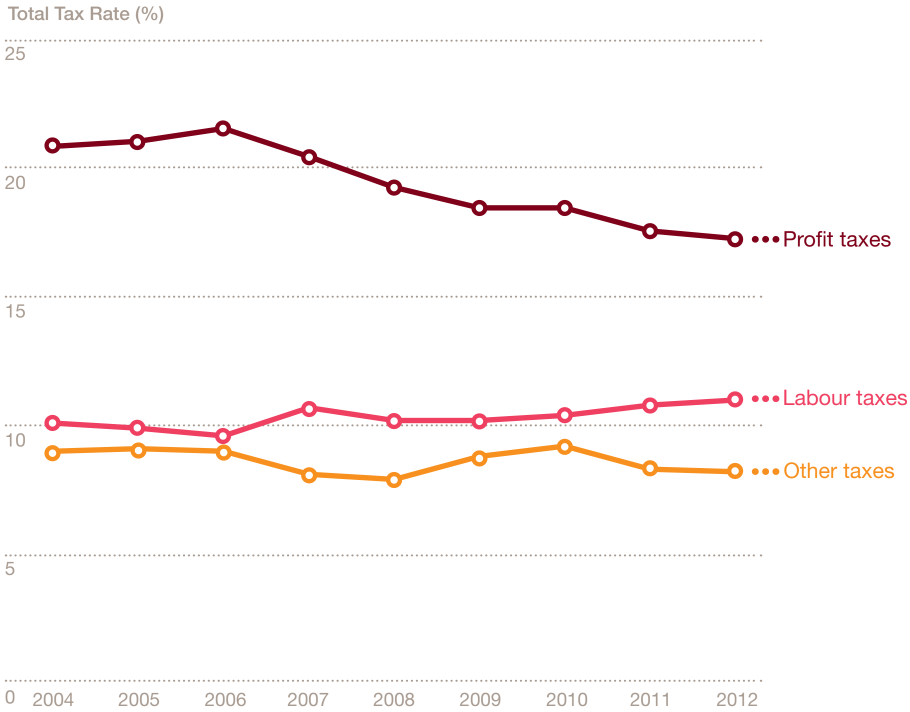
The average time to comply for the region decreased from 287 hours in 2005 to 231 in 2010, before increasing slightly over the last two years. About half the 35 economies have reduced their time to comply since 2004, while 8 have increased it. The Maldives accounts for 74% of the total increase in time to comply for these eight economies. For economies that show an overall reduction in time to comply since 2004, four economies (China, Indonesia, the Lao People's Democratic Republic, and Timor-Leste) have reduced their time to comply by over 300 hours, accounting for two thirds of the total reduction in time to comply across the region.

Over the nine years since 2004, the average number of payments for the region has dropped by two. The number of payments decreased in ten economies and increased in seven. As with time to comply, the largest increase in payments was in the Maldives and the largest fall was in China.

[19] In this section the trend averages are calculated only for those economies that have been included in all nine years of the study to ensure that we represent a true trend. The trend data for 2012 will therefore differ from 2012 data which includes all economies. The economies excluded from the Asia Pacific trend data are: Brunei Darussalam and Myanmar.

Figure 3.19

Trend in Total Tax Rate in Asia Pacific by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The profit tax element has fallen on average since 2004, while the labour tax element has risen slightly

The Total Tax Rate in Asia Pacific

Figure 3.19 shows how the decline in the Total Tax Rate varies between the three main types of tax. Since 2004, profit taxes show the greatest decline, with labour taxes having risen slightly over the same period. The rate of 'other' taxes has fallen, but it has fluctuated between 7.9% and 9.2% over the period. Profit taxes rather than labour taxes account for the largest element of the Total Tax Rate, but the trend for increasing labour taxes and reducing profit taxes and 'other' taxes is consistent with the global trend.

Although on average profit taxes account for the largest proportion of the Total Tax Rate, there is some variation between economies. Sales taxes charged on turnover account for the greatest proportion of the Total Tax Rate in Afghanistan, Sri Lanka, Micronesia and the Marshall Islands, while in Myanmar a 20% tax on the value of land and buildings is the largest element.

Five economies reduced their profit tax rates by more than ten percentage points in the last nine years namely, China, Fiji, Pakistan, Sri-Lanka and Timor-Leste. The most common reason for a decrease in the profit tax Total Tax Rate was a reduction in the headline rate of profits tax, though in Sri Lanka it was the introduction of a tax on turnover which was deductible for corporate income taxes that caused the reduction. The greatest increases in profit tax Total Tax Rates were in India and the Maldives. The Maldives introduced a profit tax in 2011 as part of a number of measures designed to diversify the tax base.

Since 2004, 3 economies have reduced labour tax Total Tax Rates by an average of 5 percentage points, while 17 economies increased labour tax Total Tax Rates, by an average of 2.8 percentage points. In most cases increases were spread over a number of years. Examples of significant movements in labour tax Total Tax Rates include the introduction of mandatory contributions in the Maldives and the introduction of a superannuation levy in Tonga. The greatest reduction in labour tax Total Tax Rates was due to the reduction in the rate of employer's social security contributions in Mongolia from 19% to 11% in 2008.

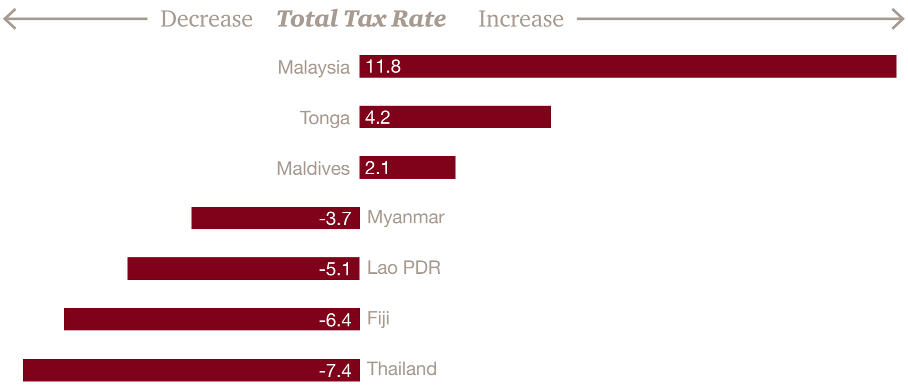
The changes in the Total Tax Rates for 'other' taxes was driven by just three economies; India, Sri Lanka and Timor-Leste.

Looking across the Asia Pacific region, corporate income tax is prominent in the majority of economies. In 23 of the 37 economies in the region profit taxes account for more than 50% of the Total Tax Rate, while in 7 economies labour taxes account for more than 50% of the Total Tax Rate.

Between 2011 and 2012 four economies decreased their Total Tax Rates, while three increased theirs

Figure 3.20

Significant movements in Total Tax Rate between 2011 and 2012 – Asia Pacific



Source: PwC *Paying Taxes* 2014 analysis

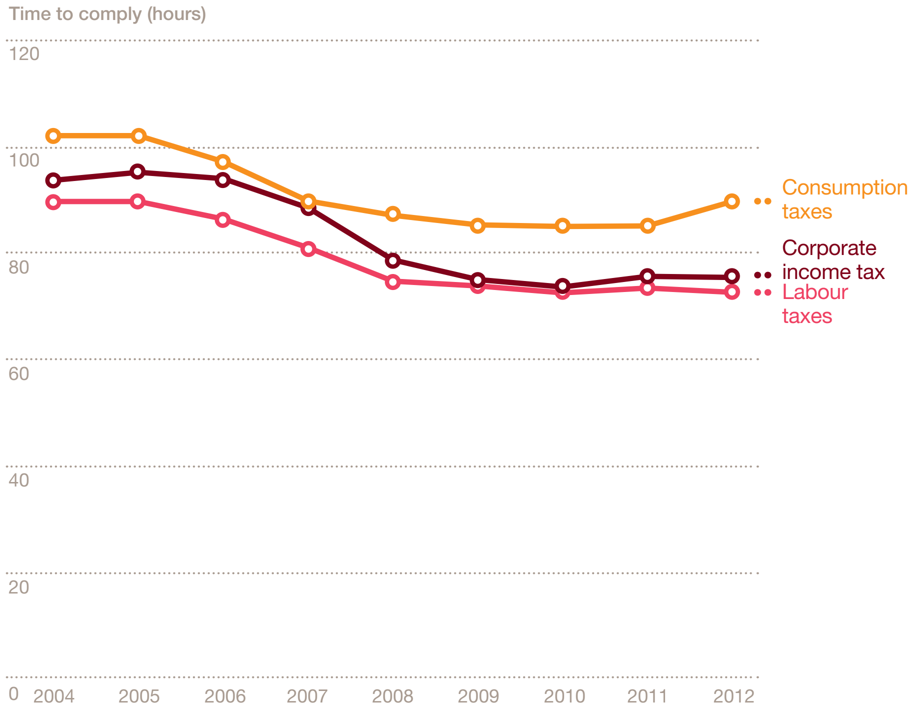
Figure 3.20 shows the Asia Pacific economies that have had the most significant movement in the Total Tax Rate between 2011 and 2012. Only 7 of the 37 Asia Pacific economies showed significant changes in the Total Tax Rate and there was a mixture of increases and decreases in the rate which helped keep the overall rate flat in the most recent period.

- The largest increase in Total Tax Rate in the region was 11.8 percentage points and occurred in Malaysia due to lower tax depreciation rates for certain fixed assets and an increase in capital gains tax from 5% to 10% for properties with a holding period of up to 2 years.
- The most significant change in Thailand was the reduction in the corporate income tax rate from 30% to 23% which reduced the Total Tax Rate by 5.6 percentage points. The rest of the decrease in Total Tax Rate (from 37.2% to 29.8%) was largely due to reductions in social security contributions.
- Fiji has also had a reduction in corporate tax rate from 28% to 20%, which reduced its Total Tax Rate from 37.6% to 31.2%.
- A new tax law which reduced the standard rate of profit tax from 28% to 24% in Lao PDR took effect from 1 October 2012.
- The Maldives introduced pension fund contributions part way through 2011, but the full year effect of this was only felt in 2012 leading to an increase in the Total Tax Rate.
- Myanmar's tax system underwent a significant reform on 1 April 2012. The Profit Tax Act was withdrawn, the corporate tax rate was reduced from 30% to 25% and commercial tax rates for goods and services were reduced to 5%, with certain exceptions. The salary tax rate was also changed.
- In Tonga, a new superannuation levy charged on salaries, at 5% each for employers and employees increased the Total Tax Rate by 4.2 percentage points.

A few economies have significantly reduced their time to comply across several types of tax

Figure 3.21

Trend in time to comply in Asia Pacific by type of tax



Source: PwC *Paying Taxes* 2014 analysis

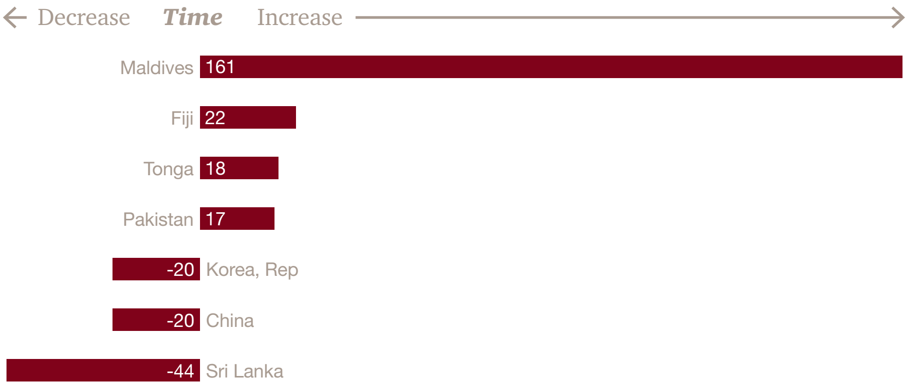
The time to comply in Asia Pacific

Figure 3.21 shows the breakdown in the time to comply since 2004 split by the type of tax. In contrast to some other regions, the differences in the amount of time needed to comply between the three main types of tax are not significant. Consumption taxes do however take the longest time to comply which is consistent with the global picture. While the time to comply with all three types of tax has declined since 2004, the rate of decline has slowed noticeably since 2008 and the time to comply with consumption taxes actually increased in 2012 due to the introduction of a consumption tax in the Maldives.

On average, the change in time to comply has also been similar for each of the three main types of tax thanks to significant and broad reforms in a handful of economies; China, Indonesia, Lao PDR and Timor-Leste have all reduced their total time to comply by more than 300 hours since 2004. The reduction in Timor-Leste was almost exclusively in relation to corporate income tax, due to the abolition of an alternative minimum tax and withholding taxes, but the fall was spread more evenly in the other economies. China unified its criteria and accounting methods for tax deductions, Indonesia simplified tax filing and increased the use of electronic systems and Lao PDR consolidated taxes and improved the tax office process and resourcing. The only really significant increase in time to comply was caused by the introduction in the Maldives in 2011 of corporate income, labour and consumption taxes.

Figure 3.22

Significant movements in time to comply between 2011 and 2012 – Asia Pacific



Source: PwC *Paying Taxes* 2014 analysis

The introduction of consumption taxes in the Maldives has led to the increase in average time to comply for the region

The most significant movements in time to comply for the Asia Pacific economies between 2011 and 2012 are shown in Figure 3.22. The region's slight upward trend in time to comply has continued with four economies increasing their time to comply with tax administration while three economies reduced their time.
The reasons for the movements are:

- The increase of 161 hours in time to comply for the Maldives dwarfs the other changes in the region with the change being almost entirely in respect of consumption taxes. The Maldives introduced corporate income, labour and consumption taxes in late 2011, and the increase in time to comply is due to there being a full year's worth of filings for consumption taxes in 2012. The Maldives introduced electronic systems for filing corporate income tax, sales tax and pension contributions in 2012 which may help reduce the time to comply for future periods.

- In Sri Lanka, an online filing system for social security contribution payments was introduced to make paying taxes easier. The time to comply has fallen from a peak of 256 hours since 2005 to 210 hours in 2012.

- In China the state tax authorities and the municipal authorities in Shanghai have been improving their tax systems. Online filing systems were improved to increase the efficiency of tax return preparation and tax payment settlement. This has reduced the time to comply by 20 hours to 318 hours.

- The time to comply has been reduced by 20 hours in 2012 due to enhancements of tax systems in the Republic of Korea. The time to comply has been falling steadily from a peak of 290 hours in 2005 and 2006 to 187 hours in 2012.

- The time to comply for Pakistan increased by 17 hours in 2012 as more details had to be included in VAT returns.

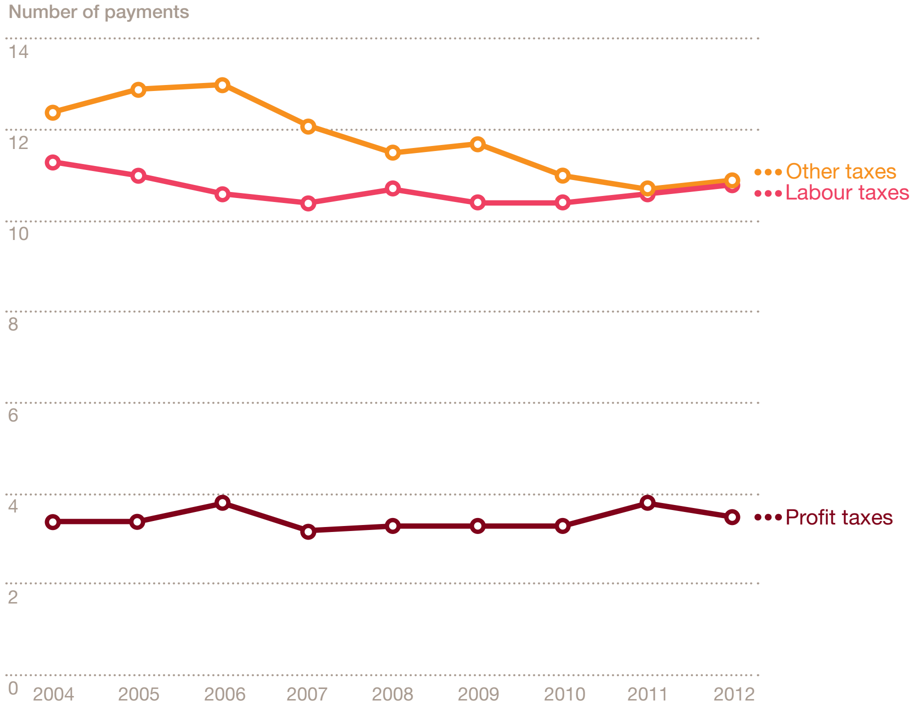
- Tonga made paying taxes more complicated by introducing a superannuation levy which increased the time to comply by 18 hours in 2012.

- Fiji made paying taxes more complicated by changing the advance payments regime for corporate income tax, transferring fringe benefit tax liability from employees to employers, limiting the ability to carry losses forward and restricting the tax deductibility of some expenses.

The introduction of electronic systems has reduced the number of payments in some economies

Figure 3.23

Trend in number of tax payments in Asia Pacific by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The number of payments in Asia Pacific

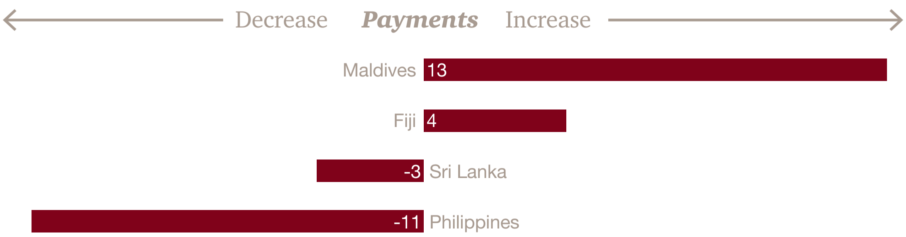
Figure 3.23 shows the breakdown in the number of payments since 2004 split by the type of tax. Since 2004 the greatest decline, of 1.5 payments, was for 'other' taxes while labour tax payments decreased only slightly and profit tax payments increased marginally. This is different from the global picture where labour taxes show the greatest improvement.

Generally where reforms in the region have affected the number of payments, the reductions in payments have been greater than the increases. Since 2004 the average drop was of 11 payments for economies where there has been a reduction in the number of payments, but an average increase of 6 payments for economies with increasing numbers of payments. The Maldives had the most significant increase of 27 payments due to the introduction of profit, labour and other taxes in 2011.

With a fall of 28 payments spread across all three tax areas, China had the largest drop in the region, over the nine years closely followed by India which reduced 'other' tax payments by 22, and Malaysia which reduced labour tax payments, also by 22. Thailand and the Philippines both had 12 tax payments fewer by 2012 than in 2004. The most common reason for the reduction in the number of payments is the introduction and improvement of electronic filing systems along with their adoption by taxpayers.

Figure 3.24

Significant movements in tax payments between 2011 and 2012 – Asia Pacific



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.24 shows the most significant changes between 2011 and 2012 in the number of tax payments made in the Asia Pacific region.

The reasons for these significant changes are:

- The Maldives introduced a tourism, goods and service tax in October 2011 and passed a Pension Act in May 2011. These changes had a full year effect in 2012 on the number of payments and led to the significant increase in the number of payments by 13. An electronic filing system was adopted in 2012 which it is hoped will help to reduce the number of payments in the long term.
- In the Philippines, an electronic filing and payment system for social security contributions, health insurance and housing development fund contributions was launched in 2012. Over the past 2 years the system has been rolled out and in 2012 the majority of companies adopted this new system which reduced the number of payments in 2012 by 11.
- In Sri Lanka, a tax on cheques was eliminated in April 2011 the effect of which carried over into 2012.
- A fringe benefit tax liability was moved from employees to employers in Fiji, increasing the number of payments by four as the tax cannot be paid and filed jointly with other taxes.

Between 2011 and 2012 while the adoption of electronic filing reduced labour tax payments in the Philippines, payments of 'other' taxes were increased by new taxes in the Maldives

With a fall of 28 payments spread across all three types of tax, China has had the largest drop in the Asia Pacific region over the 9 years of the study

Singapore

Doing well in *Paying Taxes*, but post-filing compliance is still a challenge

Carrie Lim
PwC Singapore

Singapore ranks fifth in *Paying Taxes* 2014. Since 2006, it has been consistently ranked in the top five economies surveyed. The Singapore authorities continually strive to improve the tax system to make it administratively easier to file and pay taxes.

It is an impressive picture but it does not tell the whole story. The ranking takes into account the Total Tax Rate, the time to comply and the number of payments; Singapore ranks highly as it has only one core tax per tax base, requires a low number of hours to comply and has a highly competitive Total Tax Rate. However as was discussed at the launch event for *Paying Taxes* 2013, the sub-indicators do not cover the review and finalisation of tax matters, the post filing compliance process, and it is worth noting that these involve significant complexity and subjectivity.

However, there have been recent positive developments to recognise. The Inland Revenue Authority of Singapore (IRAS) has implemented an enhanced dispute resolution process for corporate taxpayers. Taxpayers are generally expected to respond to the IRAS's queries within two months, although there is admittedly no clarity as to when the IRAS will complete its review. With effect from 1 January 2014, they will review objections to its assessments and convey its decision in writing within six months from the date of receipt of complete information from the taxpayer. In addition, they will inform the taxpayer of the status and estimated time required for completing the review of complex cases.

On the dispute resolution front, Singapore will need to step up the pace in reviewing its tax treaty network to ensure that it remains competitive. The lack of a treaty with the United States should also be addressed given that Singapore is a business hub for many US multinational companies. It is also important that it strengthens its resources to support businesses in resolving cross-border disputes which are expected to increase following the OECD Base Erosion and Profit Shifting (BEPS) report.

27.1

Total Tax Rate (%)

82

Time (hours)

5

Number of payments

One area for potential improvement is the transparency of the decisions made by IRAS. While Singapore provides guidance on general tax treatment and practice, it does not have a public ruling regime. It grants tax incentives to encourage various economic activities, and publishes the qualifying requirements to enjoy the minimum level of a tax incentive program. However, the basis for further customised incentives beyond the minimum level is not disclosed, leading to a perception that the administration of tax incentives is opaque. In response to the OECD Study into the Role of Tax Intermediaries, Singapore has implemented an enhanced taxpayer compliance program but does not disclose the criteria for participating or the specifics of the program.

That said, Singapore is committed to meeting international best practice and has implemented measures to improve tax transparency. The Monetary Authority of Singapore has designated tax evasion as a money laundering predicate offence in Singapore with effect from 1 July 2013. This means that the anti-money laundering regulatory rules will apply in full force to tax evasion. On 14 May 2013, it announced that it will, by the end of 2013, further bolster its framework for international cooperation to combat tax evasion. It will extend exchange of information assistance to all existing tax treaty partners without having to update the terms of its bilateral treaties. It will also sign the Convention on Mutual Administrative Assistance in Tax Matters which was developed jointly by the Council of Europe and the OECD to facilitate better international cooperation in the administration of national tax laws. By signing the Convention, Singapore will expand its network of exchange of information partners by 11 jurisdictions, most notably including the United States (with which it does not have a treaty). In addition, it will allow overseas tax authorities of treaty jurisdictions to obtain bank and trust information from financial institutions without the need for a court order. Finally, it will conclude a Model 1 FATCA intergovernmental agreement with the United States under which foreign financial institutions in Singapore will report account information to the IRAS who will exchange the information automatically with the US Internal Revenue Service.

Singapore is an open economy which has no natural resources and which is dependent on global trade. Its tax system will continue to play an important role in its ability to remain competitive on the world stage. It will need to maintain its momentum in responding to changes in the global tax environment. If the past is anything to go by, we can be assured that Singapore will rise to the challenge.

Thailand

Reducing tax rates to stimulate growth

Thavorn Rujivanarom
PwC Thailand

With the temporary reduction in corporate income tax rate from 30% to 23% in 2012 and to 20% in 2013 and 2014, Thailand has made significant moves to reduce the tax cost for corporate taxpayers. The *Paying Taxes* results reflect this change with Thailand's ranking improving from 96 last year to 70 this year. It is the fall in the Total Tax Rate that has had the most significant impact on the overall result. The two other compliance sub-indicators have remained virtually unchanged. The top marginal personal income tax rate in Thailand is also expected to be reduced from 37% to 35% in 2013, although this will not of course affect the *Paying Taxes* result.

The question has been raised by both taxpayers and the media as to whether the corporate income tax rate of 20% will continue to apply after 2014. The reduction in the rate is aimed at stimulating economic growth and increasing Thailand's competitiveness both within the region and on a global basis. With this in mind, the Thai government is well aware that it must stay the course in maintaining the lower corporate tax rates in order for it to remain internationally competitive.

The *Paying Taxes* study is a useful benchmark for Thailand against other economies' tax systems and continues to be a useful guide for the Thai government for administrative reform. Although the number of tax payments and the number of hours taken to comply have remained unchanged, the Revenue Department continues to encourage taxpayers to use online filing. It offers the incentive of providing an extension of eight days from the due date for tax filing for those who wish to file returns online. The records show that the number of taxpayers who participate in online filing has increased.

29.8

Total Tax Rate (%)

264

Time (hours)

22

Number of payments

Apart from the reduction in the corporate tax rates, there are also on-going discussions among the three tax collection departments, namely the Revenue Department, the Excise Department and the Customs Department, which have been initiated by the Ministry of Finance to consider further measures to simplify their tax collection system. These include the sharing of information, including data intelligence and process improvements in tax administration to prevent loopholes in the collection process. The Ministry of Finance has requested that these matters be made a priority for the three departments. An improvement in tax administration by the tax collection departments can therefore be expected in the near future.

The Thai government is fully aware of the significance of the World Banks Ease of Doing Business study, especially with regard to *Paying Taxes*. The Office of the Public Sector Commission, as the facilitator, has been working closely with many organisations to continue developing the Thai public sector for sustainable results, improving the competitiveness of Thailand and its position in the Doing Business study.

The *Paying Taxes* Asia Pacific launch event will take place in Thailand this year and representatives from government agencies, businesses, academics, financial administration and the press will be invited to discuss the results. This will be an excellent opportunity for the government and business to engage in constructive communication on the future shape of Thailand's tax system.

The regional analyses
Central America & the Caribbean

The average Total Tax Rate for 2012 of 42.8% is slightly lower than the global average of 43.1%. The rate has moved little since last year with only one economy in the region showing a significant movement (an increase) in its Total Tax Rate.

While the average time to comply is below the global average, it has fallen by only 20 hours over the nine years of the study and by only one hour in 2012.

The regional average of 33.7 payments remains the second highest after the African region and above the global average of 26.7 payments.

Corporate income tax is the most significant element of the Total Tax Rate, consistently accounting for around 55% of the Total Tax Rate since 2004.

Most time is spent complying with labour taxes and mandatory contributions, but these taxes have also shown the greatest improvement since 2004 in the time to comply and in the number of payments.

42.8
Total Tax Rate (%)

217
Time (hours)

33.7
Number of payments

Trinidad and Tobago
Country article, page 74

Panama
Country article, page 72

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

The nine year trends for Central America & the Caribbean

Figure 3.25 shows the slow downward trend in the three *Paying Taxes* sub-indicators since 2004.

The average Total Tax Rate for the region has been consistently below the global average, but the reduction in the region[20] has not kept pace with the fall around the world. In 2012, the regional Total Tax Rate is 1.6 percentage points lower than the global average, compared to being 8.8 percentage points lower in 2004.

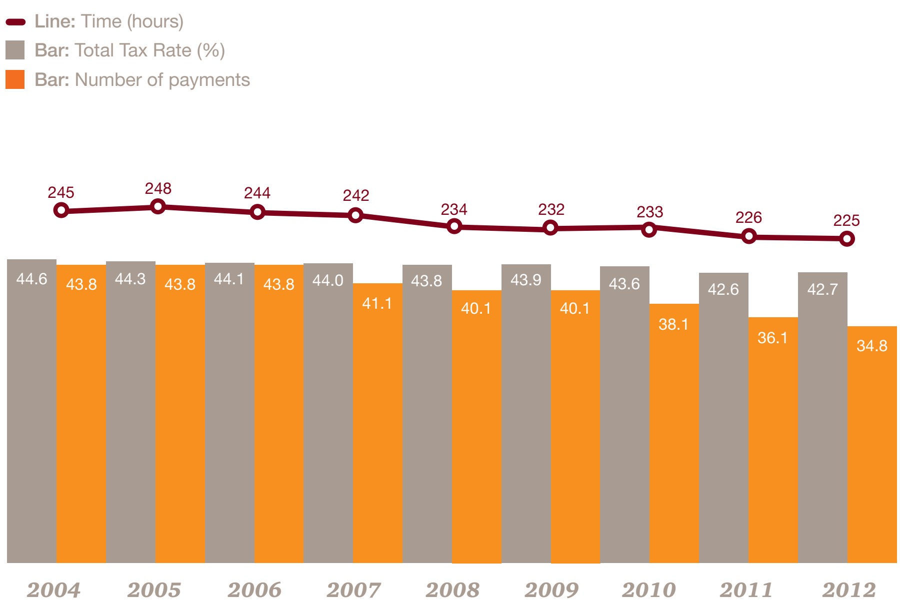
The average time to comply has been consistently lower than the global average, but again the gap has closed from being 26% below the world average in 2004 to 18% below it in 2012. Again this suggests that reforms in the region have had less of an impact than for the world as a whole.

Although the regional time to comply is lower than the world average, the number of payments has been consistently significantly higher than the world average since 2004. This is due in part to the fact that only 6 out of the 20 economies in the region have fully implemented electronic filing (Belize, Costa Rica, Dominican Republic, Guatemala, Nicaragua and Puerto Rico, territory of the United States).

All three sub-indicators have fallen over the nine years of the study

Figure 3.25

The sub-indicator trends for Central America & the Caribbean



The nine year trend data in Figure 3.25 and the rest of this section includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are The Bahamas and Barbados.
Source: PwC *Paying Taxes* 2014 analysis

[20] In this section the trend averages are calculated only for those economies that have been included in all nine years of the study to ensure that we represent a true trend. The trend data for 2012 will therefore differ from 2012 data which includes all economies. The economies excluded from the Central America & Caribbean trend data are: The Bahamas and Barbados

The Total Tax Rate for Central America & the Caribbean

Figure 3.26 shows how the Total Tax Rate breaks down between the three main types of tax; profit taxes, labour taxes and 'other' taxes. The profit tax rate has gradually declined every year from 2004 to 2011, but increased slightly in 2012. Conversely, the labour tax rate rose from 2004 to 2010 and has fallen slightly since. This trend is similar to the pattern than we see globally but the 'other' taxes have varied little over the period. Following a slight peak in 2006, they have since fallen but only gradually.

The profit taxes are the dominant constituent of the Total Tax Rate in the region, accounting for over 50% of the tax burden of our case study company, which is different to the global position where labour taxes have become the largest element. The fall in the profit taxes of 2.1 percentage points since 2004 drives the fall of 2.0 percentage points in the Total Tax Rate, mainly due to reductions in the headline corporate tax rate in Antigua and Barbuda, Puerto Rico (U.S.) and St Vincent and the Grenadines. Overall, profit taxes fell in eleven economies between 2004 and 2012, and rose in four.

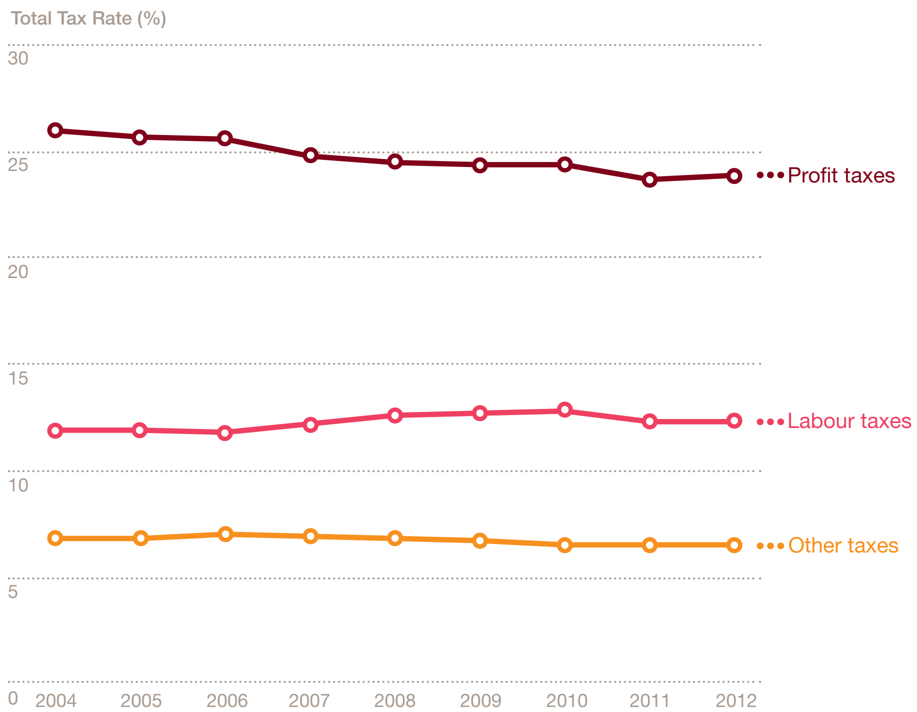
Looking across the Central America & Caribbean region, the average Total Tax Rate for 'other' taxes decreased only slightly by 0.3 percentage points in total. Since 2004, seven economies have decreased the burden of other taxes, while five have increased it. No one reform had a significant impact, but examples include changes to the extraordinary and temporary tax (Impuesto Extraordinario y Temporal en Apoyo a los Acuerdos de Paz (IETAAP)) in Guatemala, property taxes in Trinidad and Tobago and stamp duty tax and property transfer tax in Jamaica.

Over the nine years of the study, the average labour tax rate has increased by 0.4 percentage points driven by changes in the Dominican Republic since the Fiscal Reform in January 2006 increased the level of social security contributions. Although eight other economies showed changes to their labour tax rates in the period, these were small in comparison.

Since 2004, profit taxes have fallen on average across the region, while labour taxes have risen marginally

Figure 3.26

Trend in Total Tax Rate in Central America & The Caribbean by type of tax



Source: PwC *Paying Taxes* 2014 analysis

In the Central America & Caribbean region, only El Salvador shows a significant movement in Total Tax Rate for 2012

Figure 3.27

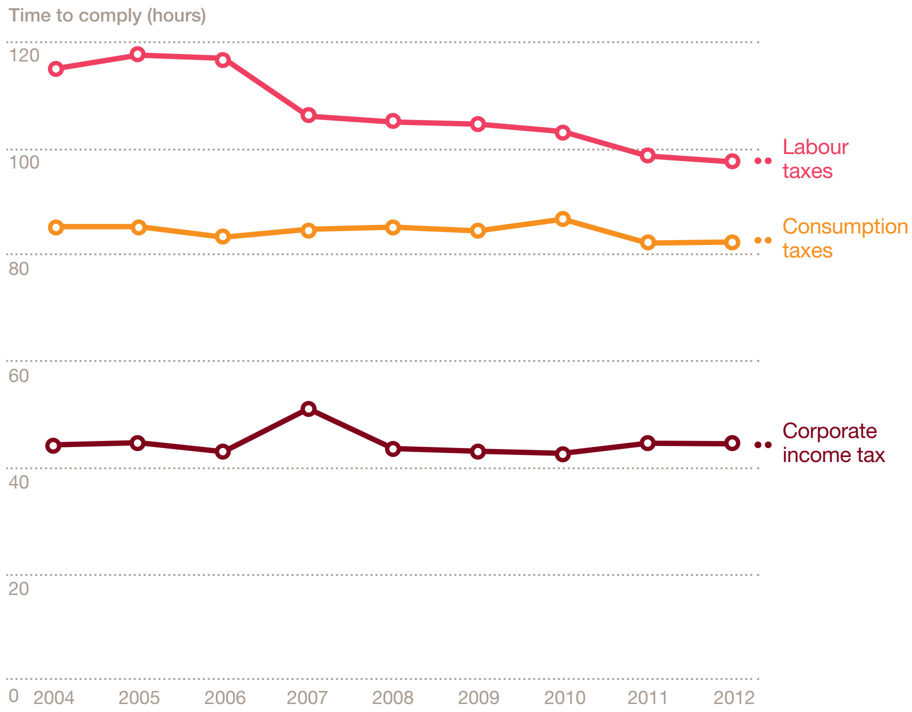
Significant movements in Total Tax Rate between 2011 and 2012 – Central America & The Caribbean

Source: PwC *Paying Taxes* 2014 analysis

As shown in Figure 3.27, in 2012 the tax rate changed almost entirely due to the increase in the rate of corporate income tax in El Salvador from 25% to 30%.

Figure 3.28

Trend in time to comply in Central America & the Caribbean by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Since 2004, the time to comply with labour taxes has fallen on average across the region, while the time for corporate income taxes has risen marginally

The time to comply in Central America & the Caribbean

Figure 3.28 shows the breakdown in the time to comply since 2004 split by the type of tax.

Labour taxes have consistently required the most time to comply rather than consumption taxes which are seen to take the largest amount of time to comply globally. But labour taxes have also seen the biggest reductions due principally to reforms in just 4 of the 18 economies, namely Costa Rica, Honduras, Jamaica and Panama.

In Costa Rica the time to comply with labour taxes dropped by 60 hours between 2006 and 2007, while in the same year the time required to comply with labour taxes in Honduras halved from 192 hours to 96 hours. In both cases the reduction is due largely to the introduction and widespread adoption of electronic filing and payment. The reductions in Jamaica and Panama were more modest at 46 and 48 hours respectively over the 9 years. For Panama the reduction was largely due to the introduction and enhancement of electronic filing systems and for Jamaica the key factor was the introduction of consolidated forms for filing and paying labour taxes.

Across the region there have been a number of important reforms that have affected the time to comply with consumption taxes resulting in both significant increases and decreases; the impacts of which have largely cancelled each other out across the region. The time to comply with consumption taxes in each of Panama, Honduras and Costa Rica fell by around 12 days over the nine years. In all cases, the introduction, adoption and enhancement of electronic systems were largely responsible for the reductions in time to comply.

The time to comply with consumption taxes increased in Antigua and Barbuda, Puerto Rico (U.S.), St Kitts and Nevis, and St Vincent and the Grenadines. In all cases, a VAT or similar sales tax was introduced, in some cases replacing other taxes. In Puerto Rico (U.S.), the increase was around 10 days, but in each of the other economies it was nearer 6 days.

As well as accounting for the smallest share of the Total Tax Rate in the region, corporate income taxes also require the least compliance time, although this has risen slightly since 2004. The increase is entirely due to significant tax reforms in the Dominican Republic. The impact of this was offset by modest reductions in the time to comply with corporate income taxes in five other economies.

Only Panama had a significant reduction in the time to comply in 2012

Figure 3.29 shows significant movements in the time to comply between 2011 and 2012 in Central America & the Caribbean.

Continuing the trend of reductions in the time to comply with labour taxes discussed above, in 2012 the principal reduction in time to comply was due to the introduction in Panama of a new platform for filing social security contributions.

Figure 3.29

Significant movements in time to comply between 2011 and 2012 – Central America & The Caribbean

Source: PwC *Paying Taxes* 2014 analysis

The number of tax payments in Central America & the Caribbean

Across the Central America & the Caribbean region, the number of payments has declined since 2004 as shown in Figure 3.30, with the most dramatic decline being in payments of labour taxes. However, the region has the highest average number of payments after the Africa region.

Since 2004, five economies have shown a marked decrease in the number of labour tax payments. The introduction in Jamaica of joint payment and filing for social security contributions reduced the number of payments by 36 in 2011, as well as reducing the time to comply as mentioned above.

While tax reforms in the Dominican Republic increased the Total Tax Rate, it reduced the number of labour tax payments by 32. Over the nine years of the study, Belize, Costa Rica and Guatemala all reduced their labour payments by 11 thanks to the introduction and widespread adoption of online filing and payment as well as the ability to make joint payments.

'Other' taxes show an average decline across the region of almost two payments over the nine years. Tax reforms in the Dominican Republic reduced its 'other' tax payments by 23 in 2007, though the impact on the regional average was partially offset by the introduction of a VAT system in Antigua and Barbuda in the same year. Guatemala and Nicaragua also reduced their payment of 'other' taxes thanks to the use of online filing and payment, while the introduction of VAT in St Kitts and Nevis increased the number of payments there.

The number of payments for profit taxes shows the least change.

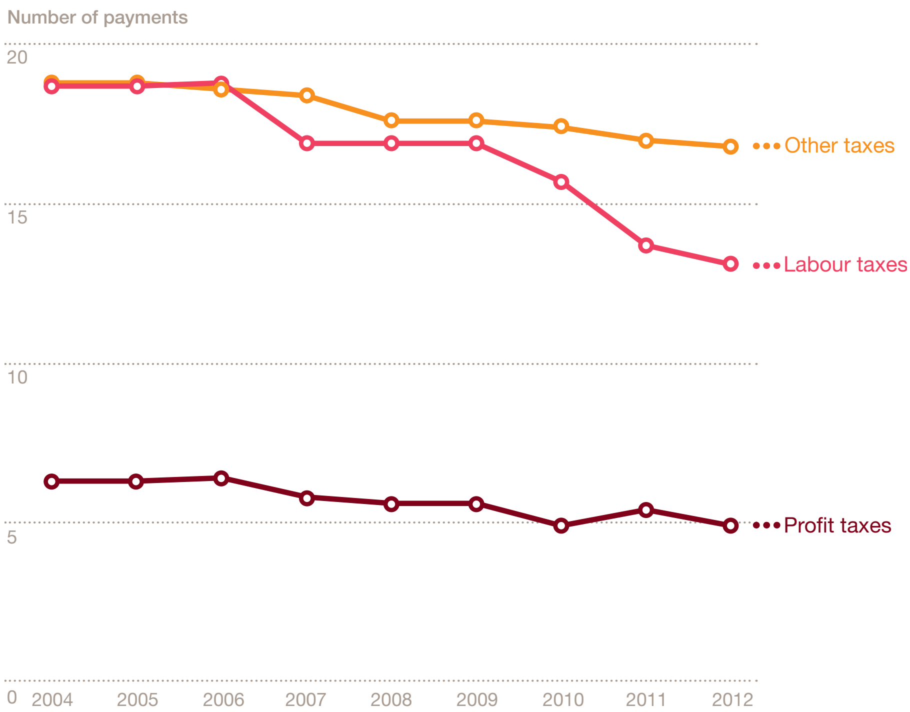
The largest decrease in tax payments in the Central American & the Caribbean region was in labour taxes in Guatemala as a new online platform allowed filing and payment to be performed online.

As shown by Figure 3.31, in Panama the number of profit tax payments dropped by eight following a move from a monthly to a quarterly payment regime. This reverses an increase in payments that occurred in 2011 when the monthly payment regime was introduced.

The fall in the average number of labour tax payments has driven the reduction in the sub-indicator for this region – it has fallen by more than five across the region since 2004

Figure 3.30

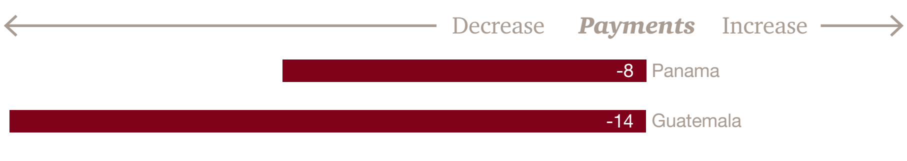
Trend in the number of tax payments in Central America & the Caribbean by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.31

Significant movements in the number of tax payments between 2011 and 2012 - Central America & the Caribbean



Source: PwC *Paying Taxes* 2014 analysis

Panama

Paying Taxes helps inform a constructive discussion

Francisco Barrios
PwC Panama

Paying Taxes is a valuable tool for the business community which gives a good insight into the time invested and the cost of the processes required to comply with basic regulations in different tax jurisdictions. It is clear that the existence of this study helps jurisdictions to focus on how they might improve their position and what may be required in order to create an environment which can help attract investment to their countries, which is a worthy objective for this joint project.

Today we can say with absolute certainty that the launch of this project last year in Panama aroused much curiosity, interest and discussion in the media, and also a constructive dialogue among the political figures of the economy. The discussion revolved around the impact of the tax system in the region, the significant amount of time required for companies to comply with the tax system in Panama, and the need to raise the country's overall ranking in this global study. The *Paying Taxes* study is also interesting as it enables governments to observe how the tax burden can potentially be a constraint to doing business from an objective perspective. It allows readers of the results to consider how other economies are performing as regards their tax systems, in the context of the case study company. It facilitates a like for like comparison and encourages further research into best practice used elsewhere with a view to learning from the experience of others and aiming for a similar level of performance.

Over the years the existence of this project and its results have encouraged improvements in Panama. We have seen the time to comply fall by 143 hours over the nine years of the study, and also a small fall in the Total Tax Rate which is now just below the global average. Following the publication of the report last year there has been an improvement in the number of payments (from 60 to 52), providing focus on the benefits of implementing electronic filing and payment mechanisms.

We have also seen several practical modifications incorporated into the systems in Panama aimed at changing the characteristics and nature of the data that has to be submitted, with consequential benefits around process and controls, and a reduction in the compliance time required.

40.5
Total Tax Rate (%)

417
Time (hours)

52
Number of payments

Care is required however with such new initiatives as, in some cases, measures introduced have had an adverse impact on annual compliance requiring additional time to be invested to make the system work. Despite these isolated cases it is clear that the measures now being implemented have been strongly influenced by compliance developments in other jurisdictions, with a particular emphasis on the use of technology and new financial tools in order to help reduce time and make complying with deadlines easier, both for preparing tax information and making tax payments.

Despite the advances mentioned above it is clear that further improvements are still needed, and we are sure that the *Paying Taxes* study will remain important in enabling continued comparisons to be made with other relevant jurisdictions.

Trinidad and Tobago

Tax administration still in need of reform

Allyson West
PwC Trinidad and Tobago

Trinidad and Tobago is experiencing an interesting period in its economic development. As the energy hub of the Caribbean, the country was not as hard hit as its neighbours by the global financial crisis and the level of economic activity seems to be again on the upswing. Over the last few years, successive governments have invested heavily in infrastructure projects, educational programmes and advanced technological tools to modernise various aspects of the public service e.g. national security. Among the aims of those initiatives was to improve the efficiency of doing business in Trinidad and Tobago and to increase the country's appeal as an investment target.

Fiscal revenue plays a crucial role in this drive for development and the *Paying Taxes* indicators provide helpful background and insight for policy-makers, policy commentators, and investors. These annual indicators show, a decrease in the Total Tax Rate from 37.0% (2004) to 29.1% (2012) but little change to the compliance indicators with the payments falling only by one to 39 over the nine years of the study. The trends have served to provide a factual backing to inform Government when implementing reforms to create conditions that encourage investment, trade and growth.

Tax competitiveness continues be an important theme for developing economies in the Caribbean, including Trinidad and Tobago. It is recognised that for such competitiveness, the legal framework must be complemented with effective administration. In seeking to create a legal landscape which is favourable to investment and trade, the marginal corporation tax rate was decreased from 35% to 30% in 2003 and then to 25% in 2006. Incentives were provided to various sectors, including manufacturers and the seven industries targeted by the Government for development and growth, and steps have been made to simplify the tax system.

29.1
Total Tax Rate (%)

210
Time (hours)

39
Number of payments

While these changes to tax legislation are welcome, a more comprehensive review is required to remove archaic provisions and to introduce new provisions to deal with modern issues such as providing relief for expenditure incurred to create or acquire intellectual property and to encourage wider participation in the stock exchange.

More urgent however is the need for reform of tax administration, as depicted by the results of the *Paying Taxes* indicators for 2013. The President of Trinidad and Tobago, His Excellency President Antony Carmona S.C. pointed out the need for "the sleeping giant that is the Board of Inland Revenue (BIR)" to be awoken. The average time taken to comply with tax requirements (210 hours) ranks poorly compared to other Caribbean economies. This is explained in part by the difficulty experienced in obtaining clear and definitive advice from the BIR. This has created a situation in which there is much uncertainty The introduction of a more informal dispute resolution system to aid in clearing the backlog of matters before the local tax court has also been suggested. Furthermore, it is hoped that the *Paying Taxes* indicators will propel the government to recognise the importance of modernising the tax system through, for example, the introduction of e-filing and e-payments.

In his Budget 2014 presentation, the Minister of Finance, the Honourable Larry Howai, announced that the government has earmarked significant funds for the improvement of the tax administration. We look forward to the implementation of that plan and hope that it will resolve many of the issues currently faced by taxpayers.

The regional analyses
Central Asia & Eastern Europe

Central Asia & Eastern Europe has been the biggest reformer over the nine years of the study. Economies in this region have shown the largest fall in both the time to comply (220 hours) and number of payments (25 payments), and apart from Africa has the largest fall in the Total Tax Rate (15.7%).

The average Total Tax Rate for the region is 39.5% which is a little below the world average of 43.1%. The Total Tax Rate has shown a slight upward trend since 2010.

All three types of tax have shown a slight increase in Total Tax Rate in 2012.

Almost all of the economies in the region have a significant element of the Total Tax Rate accounted for by labour taxes and mandatory contributions.

The average time to comply across this region is 256 hours, 12 hours below the world average of 268. It is fairly evenly split between the major taxes.

At 29.5, the region's average number of payments is a little above the world average of 26.7.

The region has shown a steady improvement in the number of payments and in the time to comply over the last nine years.

The introduction of electronic filing and reducing tax rates has been the key to the reform process in this region. In 12 of the 19 economies the majority of companies use electronic filing and payment for all major taxes.

39.5	256	29.5
Total Tax Rate (%)	Time (hours)	Number of payments

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

This region shows the largest fall in compliance sub-indicators and the second largest fall in Total Tax Rate across the nine years of the study

The nine year trends in Central Asia & Eastern Europe

All three sub-indicators show large reductions over the last nine years. The Total Tax Rate has shown a steady decrease from 57.7% in 2004 to 41.4% in 2010, but with a small upturn of 0.6% between 2010 and 2012.[21] There are 13 economies where there has been an average fall per economy of 21 percentage points in the Total Tax Rate between 2004 and 2012. For the four economies that have increased their Total Tax Rate since 2004, the average increase was three percentage points. Only the Africa region shows greater falls in Total Tax Rate due to the removal of cascading sales taxes.

The region has recorded the largest fall in the average time to comply for any of our geographical regions and continues to show the largest fall of any region in the most recent period. The time to comply started to fall in 2006 and the reduction accelerated thereafter. The average time to comply has fallen by 220 hours (46%) since 2004. Since 2004, 11 out of the 17 economies in the region have reduced their time to comply by an average of 344 hours. The economies showing the largest fall over the nine years have been the Ukraine, Belarus, and Azerbaijan with falls of 1,695, 668 and 542 hours respectively.

The number of payments has also fallen consistently over the 9 year period by 25.1, with falls in 14 economies and with no economy increasing its number of payments. This fall is twice as large as that recorded by any other region. Ukraine and Belarus reduced their number of payments by 119 and 115 payments respectively.

Figure 3.32

The sub-indicator trends for Central Asia & Eastern Europe

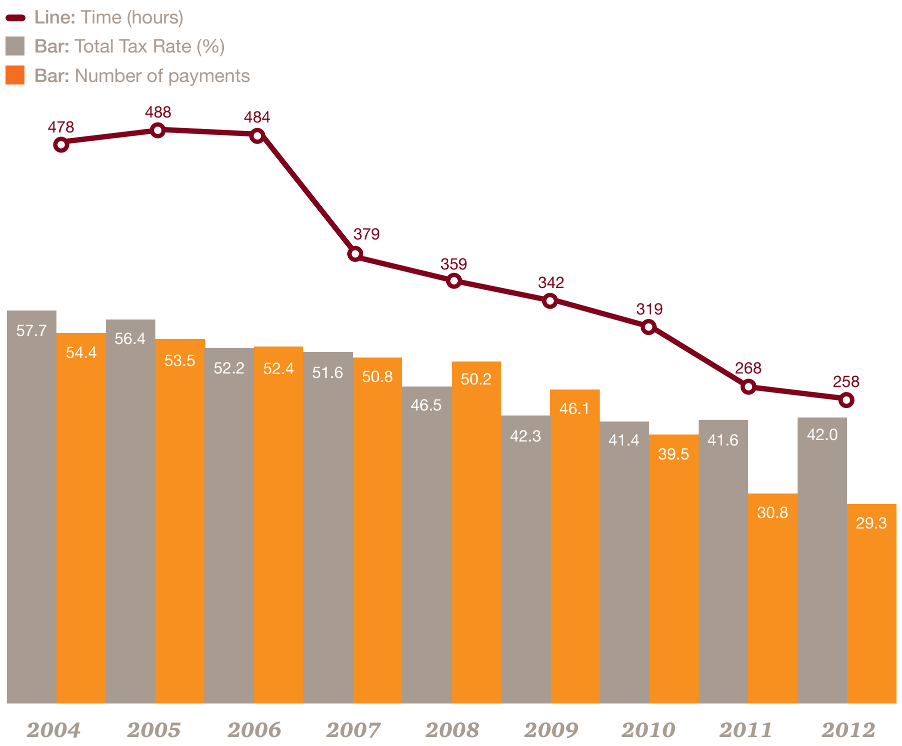


Figure 3.32 shows the trend in the three *Paying Taxes* sub-indicators since 2004. It includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are: Kosovo and Montenegro.
Source: PwC *Paying Taxes* 2014 analysis

[21] In this section the trend averages are calculated only for those economies that have been included in all nine years of the study to ensure that we represent a true trend. The trend data for 2012 will therefore differ from 2012 data which includes all economies. The economies excluded from the Central Asia & Eastern Europe trend data are: Kosovo and Montenegro

Significant initial falls in the Total Tax Rate for all three types of tax have given way to a stable picture in recent years

The Total Tax Rate in Central Asia & Eastern Europe

Figure 3.33 shows how the Total Tax Rate breaks down into the three main components of profit taxes, labour taxes and 'other' taxes. Since 2004, labour taxes have consistently accounted for the largest element, around 50% of the Total Tax Rate in the region, with profit taxes and 'other' taxes each accounting for around a quarter of the Total Tax Rate. This picture and the trend over the nine years of the study are consistent with the global picture.

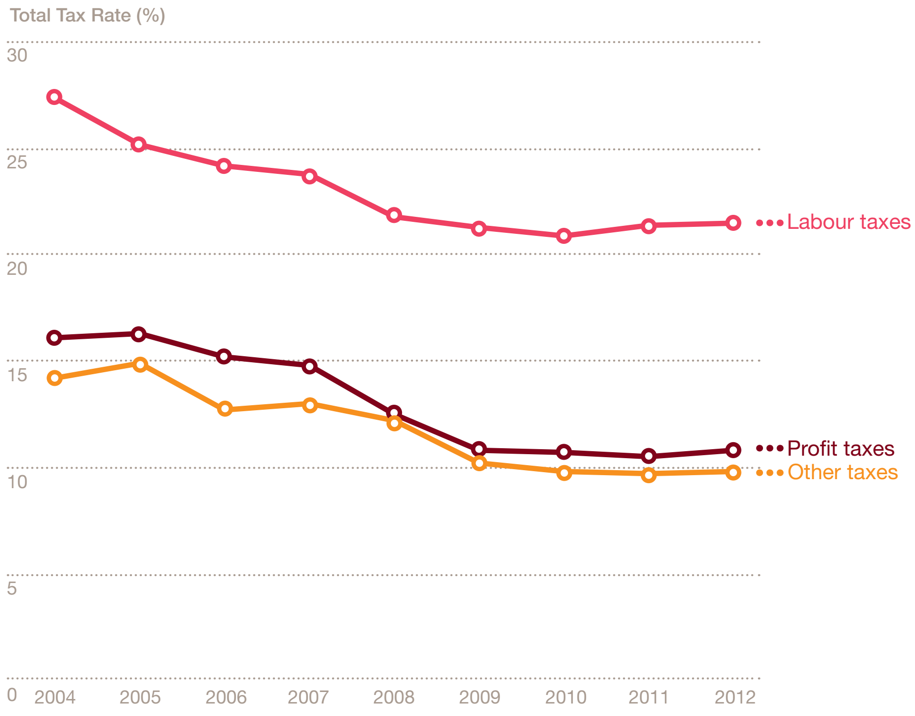
All three types of tax have shown a steady decline over the last nine years, though the rate of decline slowed from 2009 for all types of tax and there has been a slight increase across all three taxes in 2012.

Almost a third of the reduction in the Total Tax Rate over the nine years of *Paying Taxes* is driven by reforms in Belarus which reduced its Total Tax Rate from 137.3% in 2004 to 54.0% in 2012 through abolishing some taxes and reducing the rates of others.

In almost all of the economies in the region, labour taxes and mandatory contributions are a significant element of the Total Tax Rate. In two economies, Tajikistan and Uzbekistan, while labour taxes account for around 28 percentage points of the Total Tax Rate, 'other' taxes are far more significant accounting for more than 60% of the Total Tax Rate. Examples of these 'other' taxes are a road tax levied on turnover in Tajikistan accounting for more than one third of the Total Tax Rate, and contributions to pension funds and to road funds (based on turnover) which again account for over half of the Total Tax Rate levied in Uzbekistan.

Figure 3.33

Trend in Total Tax Rate in Central Asia & Eastern Europe by type of tax

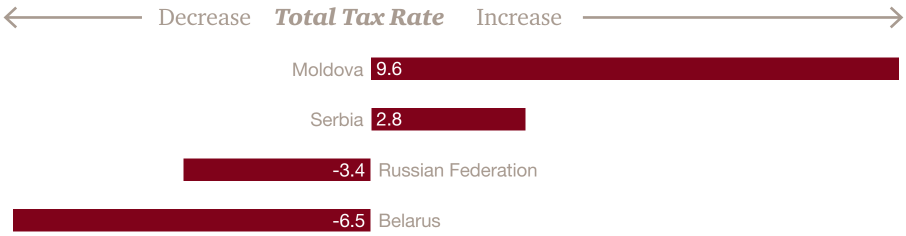


Source: PwC *Paying Taxes* 2014 analysis

Changes in Total Tax Rate in 2012 are few and there are both increases and decreases

Figure 3.34

Significant movements in Total Tax Rate between 2011 and 2012 – Central Asia & Eastern Europe



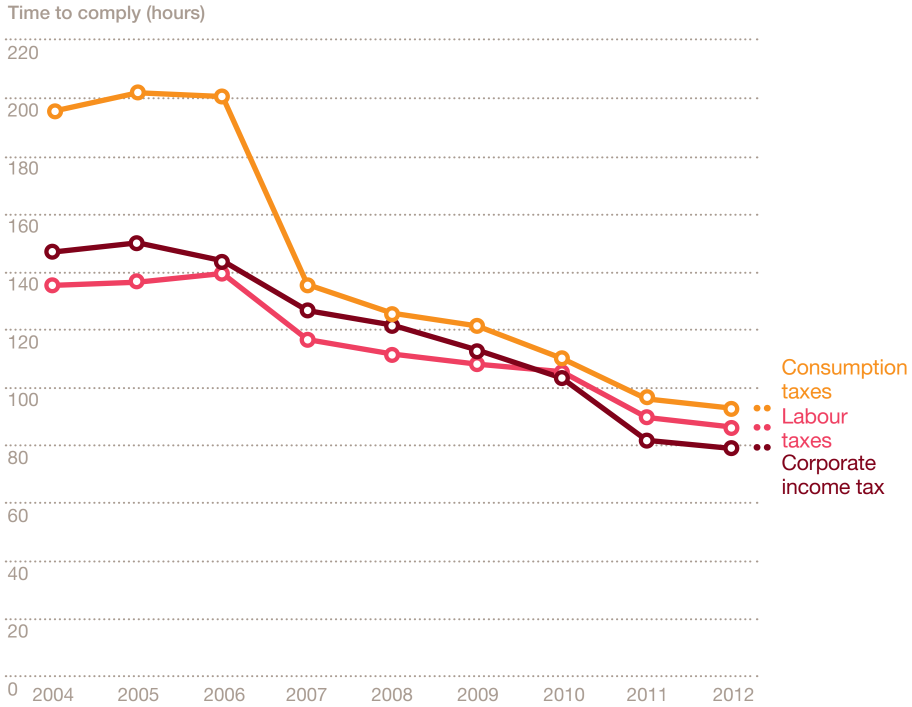
Source: PwC *Paying Taxes* 2014 analysis

Figure 3.34 shows the economies in Central Asia & Eastern Europe that have had the most significant movement in Total Tax Rate between 2011 and 2012. Only 4 of the 19 economies exhibited significant changes in the Total Tax Rate, with two increasing and two decreasing the rate. The reasons for these significant changes are:

- The economy with the most significant increase in the Total Tax Rate is Moldova. It increased its corporate income tax rate from 0% to 12%. In addition, the road tax rates for vehicles registered in Moldova increased in 2012. This has led to an increase of 9.6 percentage points in the Total Tax Rate.
- Belarus reduced its corporate income tax rate from 24% to 18% and the tax depreciation rates for certain fixed assets increased with new estimations used to establish the useful life of assets. This helped the Total Tax Rate reduce by 6.5 percentage points in 2012.
- The Russian Federation reduced its pension fund contribution from 26% to 22% and its cadastral value of land in Moscow has also changed.
- The 2.8 percentage point increase in Serbia's Total Tax Rate is due to changes in the thresholds for social security contributions.

Figure 3.35

Trend in time to comply in Central Asia & Eastern Europe by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The time to comply in Central Asia & Eastern Europe

Figure 3.35 shows the breakdown in the time to comply since 2004 split by the type of taxes.

While the time to comply with consumption taxes has more than halved since 2004, the time to comply with corporate income and labour taxes has also dropped significantly. The trends are broadly consistent with the global picture. Ukraine accounts 45% of the total reduction in time to comply. Between 2004 and 2012, the time to comply in Ukraine fell from 2,085 hours to 390 hours. The biggest reduction, of 1,237 hours, came between 2006 and 2007 with smaller reductions in subsequent years as electronic filing systems improved. The improvements in Ukraine occurred across all three types of tax although the greatest impact was for consumption taxes.

Belarus and Azerbaijan also had significant reductions in their time to comply of over 500 hours each, which together account for about a third of the reduction across the region since 2004.

In Belarus the reduction was spread over the nine year period as electronic filing was improved and its use encouraged. Azerbaijan's reduction in time to comply was mostly in respect of consumption taxes. This was due to the introduction of online filing and payment systems combined with accounting software and the provision of computer terminals for those without access to computers.

In the region, 12 out of 17 economies have adopted online filing and payment systems. The use of electronic filing systems covering corporate income tax, VAT, personal income tax and all mandatory contributions has been the key driver for the fall in time to comply in all type of taxes.

The average time needed to comply with taxes has dropped by 46% in nine years

The biggest reformers continue to focus on improving tax compliance

Figure 3.36

Significant movements in time to comply between 2011 and 2012 – Central Asia & Eastern Europe

Source: PwC *Paying Taxes* 2014 analysis

Figure 3.36 shows the most significant changes between 2011 and 2012 in the time to comply in the region. The reasons for these significant changes are:

- Ukraine made paying taxes easier by simplifying the tax returns and further improving its e-filing system, significantly improving its time to comply by 101 hours in 2012.
- Tax returns were simplified in Moldova to make paying taxes easier. This has led to a decrease of 39 hours in 2012.
- From 2012, Belarus allowed taxpayers to pay land tax once a year instead of quarterly. The time to comply has improved by 19 hours.

The number of payments in Central Asia & Eastern Europe

As shown in Figure 3.37 the average number of payments across the region has seen a significant and steady reduction since 2004. It ranked as the region with the largest number of payments in 2004, but the fall over the last nine years has put the average result for this region just above the world average. Again the trends for each type of tax are consistent with the global trend.

The fall in the number of tax payments since 2004 is more than twice as large as that recorded by any other region. As might be expected from the falls in the time to comply, Belarus and the Ukraine have the largest falls in the number of payments of 115 and 119 payments respectively. Each economy therefore accounts for just under a quarter of the reduction for the region as a whole. Armenia and Georgia have the next largest reductions of 40 and 41 payments respectively.

The use of electronic filing and payment systems has been the driving force behind many of these changes along with reductions in the frequency of payments e.g. changing from monthly to quarterly payments.

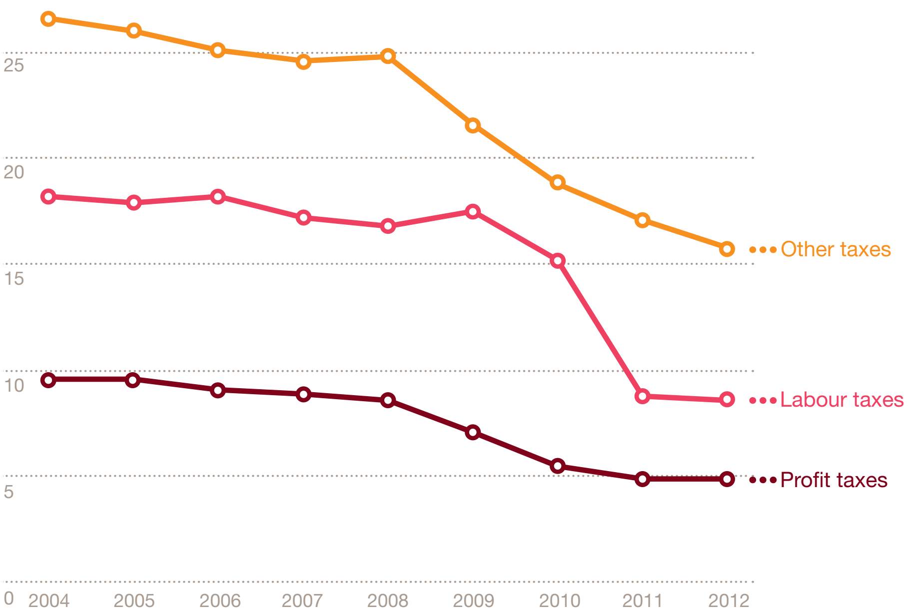
Labour taxes account for the most payments in Moldova and Ukraine even though the two economies have adopted electronic filing systems. In both economies, some form of electronic filing is available for labour tax and social security contribution payments, but the systems are not widely used. For profit taxes, VAT and other taxes however electronic filing and payment is believed to be the preferred method.

Tajikistan and Serbia have the greatest number of payments at 69 and 66 respectively of which about two thirds are payments of 'other' taxes. Both economies have six 'other' taxes in total of which three are paid monthly. In Tajikistan there are currently no electronic filing systems available although electronic filing is being developed, while in Serbia only large companies commonly use electronic filing.

'Other' taxes in the majority of the economies in this region accounted for a larger proportion in the number of payments. There is still a wide gap in the number of payments (over seven payments) between 'other' taxes and the other two main taxes.

Figure 3.37

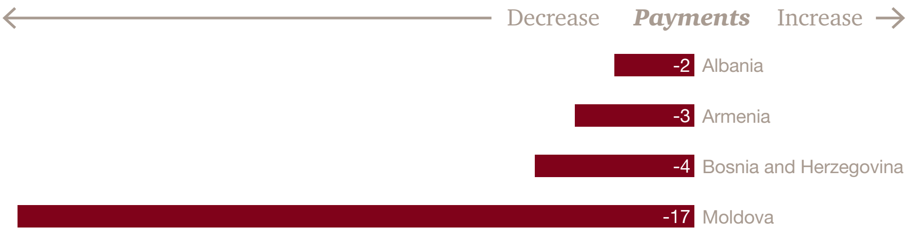
Trend in the number of payments in Central Asia & Eastern Europe by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.38

Significant movements in tax payments between 2011 and 2012 – Central Asia & Eastern Europe



Source: PwC *Paying Taxes* 2014 analysis

The most significant movements in number of payments for the Central Asia & Eastern Europe economies are shown in Figure 3.38. The region's downward trend in number of payments has continued and in 2012 shows the largest reduction of any region, with four economies reducing their number of payments.

The reasons for the movements are:

- From 1 January 2012 Moldova requires online filing for VAT, land improvement tax and tax on immovable property. The reinstatement of corporate income tax has led to the introduction of advance quarterly payments of corporate income tax, but as these can be paid online the number of payments under the *Paying Taxes* methodology is just one payment. These changes have significantly reduced the number of payments by 17 in 2012 from 48 to 31.
- In Bosnia and Herzegovina, the forestry tax was temporarily abolished in 2012.
- Armenia has reduced the number of payments for vehicle, land and property tax.
- In Albania companies no longer need to pay the annual vehicle registration tax. Albania also made paying taxes easier by allowing corporate income tax to be paid on a quarterly basis.

The average number of payments across the Central Asia & Eastern Europe region has seen a significant and steady reduction since 2004

Russian Federation

Paying Taxes results show significant progress

Andrey Kolchin
PwC Russia

In recent years there have been significant movements both on improving tax administration and reducing the aggregate fiscal burden on employment income.

According to a Decree issued in May 2012 by the President, the Russian Government will take further steps to improve Russia's competitiveness and its investment/business climate which will include roadmaps for the improvement in certain areas of state regulation and business activities. One of the measurements which will be adopted to assess the progress in relation to this decree will be the World Bank's *Doing Business* indicators.

There have been a number of initiatives taken in Russia to improve the tax administration and to ease taxpayer interaction with the authorities around tax compliance, in order to fulfil the objectives described above.

The Federal Tax Service (FTS) has continued to widen the scope and reach of electronic services and to ensure their widespread use. In total, there are now more than thirty services made available to individuals and legal entities. These include tax information sources, tax office appointment scheduling systems, issuing of various tax certificates, online payments and electronic registration.

A personal electronic office service for taxpaying legal entities has been launched as a pilot. The service will give taxpayers access to a large set of data online: such as multiple forms for on tax payments and debts, and copies of registration certificates. It will also enable the submission of various requests and claims (e.g. registration and de-registration, bank account opening and closing, statements of tax payments). This in turn will enable taxpayers to fulfil their duties and interact with tax authorities more efficiently and with less administrative effort.

50.7

Total Tax Rate (%)

177

Time (hours)

7

Number of payments

The number of tax returns submitted electronically grew further and reached 76% in 2012. This was achieved via a number of activities, including significant investment in the IT infrastructure and resources of the tax administration, support for a network of designated operators who facilitate the submission process, education of taxpayers and on-going improvement of tools and processes.

A new administrative procedure was introduced that permits taxpayers to resolve tax disputes with senior representatives of the tax authority, without having to bring the matter before the court. This is expected to help reduce the number of disputes referred to court and to enhance taxpayers' ability to resolve matters in an expeditious way.

There were several actions taken by the FTS to expedite the implementation of various pieces of legislation which were aimed at easing and improving documentation and also the exchange of data between taxpayers and the tax authorities. Further to changes in VAT law, steps were taken to facilitate the electronic exchange of statutory VAT invoices. In addition, based on changes in statutory accounting law which relaxed requirements for the content and form of primary source documents, work started last year and was completed in 2013 to provide taxpayers with recommended electronic formats for primary documents that will be accepted by the tax office for review and examination in electronic format. Further steps are planned to encourage electronic document exchange with a view to easing the administrative burden of tax compliance.

The global *Paying Taxes* launch event is due to take place in Moscow this year and representatives from government agencies and business will be invited to discuss the results of this year's *Paying Taxes* report. It provides an excellent opportunity for the stakeholders in the tax system to engage in constructive communication on the future shape of Russia's tax system.

Turkey

Turkey's tax system goes digital

Zeki Gunduz
PwC Turkey

The Ministry of Finance embarked on a program almost nine years ago to move tax administration onto an electronic platform. The move from hard copy filing to electronic filing started back in 2004. This change has saved taxpayers time on the preparation and filing of their tax returns and enabled electronic record keeping at the tax office.

It has also set a precedent for other e-initiatives and has been followed by a number of further e-government type applications (e.g. an e-tax office which enables taxpayers to access to certain information, e-confiscate which enables the confiscation of property to settle tax debts owed). There are several electronic initiatives that deserve a special mention which involve electronic invoicing and electronic accounting records.

In 2008 a pilot program was undertaken with the telecommunication industry; an industry where companies issue invoices to millions of individual customers every day. The introduction of electronic invoicing has saved these companies from having to issue hard copy invoices. As a result of this program, the Ministry of Finance is looking to extend the use of electronic invoicing to all types of companies, but initially with a focus on business to business transactions. The ultimate aim is to create cost efficiencies for companies as they are obliged under current regulations not only to issue hard copy invoices, but also to store them for ten years. The removal of hard copy printing should eliminate the associated storage and printing costs. E-invoicing will also bring improved transparency which will make both internal and external audits easier. Finally, companies are expected to have better real time information on their cash management as e-invoices can be easily tracked from a simple electronic platform.

40.2
Total Tax Rate (%)

226
Time (hours)

11
Number of payments

The second initiative to mention is the move to allow companies to keep in an electronic format those accounting records which they are required to keep by law. Companies with electronic invoicing systems are able to keep their related statutory accounting records electronically subject to certain conditions. This will be revolutionary as it will save companies from the need to print piles of statutory accounting records, including general ledgers and inventories which must be stored for 10 years for regulatory reasons.

Currently there are additional costs associated with adopting both e-invoicing and the change to electronic accounting records, but the savings related to reduced storage costs are expected to exceed these, as well as the savings related to printing. A further advantage is that it should also bring increased transparency to tax audits and should help deter tax evasion.

Finally there is an e-payment initiative, which is still at the conceptual stage, but when it has been designed and introduced it is expected that it will vastly improve the efficiency of tax audits. The idea is to set up a tracking system with banks to monitor the flow of cash between the accounts of taxpayers in order to match the delivery of goods/services with payments and to help detect any tax evasion.

Once these measures are in place, it is expected that they will bring benefits to both business and the tax authorities; tax audits should become more efficient and effective and in return taxpayers should enjoy material savings on the costs associated with the considerable administrative burden of producing and maintaining statutory records.

Ukraine

Paying Taxes has a positive impact on tax reforms in Ukraine

Ron Barden
PwC Ukraine

Although Ukraine continues to have a relatively low ranking in the *Paying Taxes* study, there have been some considerable improvements made over the past few years in key areas of tax reform. The Ministry of Revenues and Duties continues to focus on improvements in the tax system to improve the country's position in the study. Many of these improvements, and the further changes that are being contemplated, can be considered to have been prompted as a direct result of issues highlighted by *Paying Taxes*. The study however is only designed to reflect the position of the case study company with its specific fact pattern and so it will not fully reflect all of the positive changes that have been introduced in Ukraine.

Of the three key sub-indicators that are considered in *Paying Taxes*, two have improved greatly since its inception; the number of payments and the time to comply. The Government is considering its policy options regarding the third component, the Total Tax Rate, which has stayed at around 55% despite a significant reduction in the statutory corporate tax rate (from 25% in 2010 to 19% in 2013).

The time to comply has reduced by just over 80% since 2006, one of the largest improvements, in percentage terms of any economy in *Paying Taxes*. When the study first started, it took over 2,000 hours each year to comply with the tax legislation in Ukraine, ranking the country last in the table. This was reduced to less than 500 hours in the 2013 study, with a further reduction to 390 hours in the most recent year.

The tax system has evolved from one that required completely separate bookkeeping for tax purposes into one that starts with financial accounting as its basis. Without *Paying Taxes*, which focussed attention on this point, it is likely that this duplication of effort would have continued.

54.9

Total Tax Rate (%)

390

Time (hours)

28

Number of payments

But Ukraine is still ranked towards the bottom of the World Bank ranking on time to comply. Much more needs to be done, particularly around VAT and payroll tax compliance. Government continues to look at simplifying compliance requirements, and the recent consolidation of the social security collection/compliance into the Ministry of Revenues and Duties is a step in the right direction, which should have a positive impact in future years.

The number of payments required for compliance has been an on-going and specific focus of Government. The introduction of electronic filing for many taxes and the introduction in 2013 of Advance Corporate Tax combined with an annual declaration have replaced the time consuming process of quarterly returns and payments. Electronic filing is now available for almost all tax (and social security) returns but this is not fully reflected in the study as it has not yet been taken up by majority of taxpayers for all filings (this includes the payroll taxes that require 24 payments and 16 separate returns per year compared to a single annual declaration in many other economies).

The Total Tax Rate is also an area that is now a focus of Government. Despite a low corporate income tax rate (19% in 2013 and 16% in later years), at 55% Ukraine will continue to be at the lower end of the distribution for this sub-indicator unless the Government looks at other taxes, in particular the rates of social security contributions.

Uzbekistan

Helping to identify areas for reform

Peter Burnie
PwC Uzbekistan

The *Paying Taxes* study has informed the debate around tax administration and the broader fiscal policies of many economies. Over the years, this publication has highlighted those economies that have made the most progress in making taxes easier to pay by reforming the underlying tax administration and compliance systems.

However many economies in the study, including Uzbekistan, that are seeking to apply the successful tax policy and administrative developments that have assisted other economies, face a number of common challenges that go beyond the issues addressed by this study; namely the need for macro fiscal stability, the challenges associated with the number and structure of the corporate taxpayers in the territory and the overall level of development of infrastructure in the economy.

In this context it is also interesting to note that many small and medium-sized enterprises operating in Uzbekistan currently operate under a simplified regime of corporate taxation which has relied (at least in part) on turnover taxes, but which does not require substantial record keeping or more complex filing processes. The *Paying Taxes* case study fact pattern does not capture this sort of company.

99.3
Total Tax Rate (%)

205
Time (hours)

41
Number of payments

Nevertheless, changes to the system are coming and in a number of areas these have now been implemented and may affect the results of *Paying Taxes* in the future. Many of these changes draw on the conclusions and findings of *Paying Taxes*. Monitoring and understanding some of the drivers of the changes in the *Paying Taxes* sub-indicators in previous years has been part of the information that the Uzbek authorities have used when designing and implementing changes to the Uzbek tax regime. For example, the frequency of filings has been addressed in the most recent update of the tax administration and regulations – and this will take effect over the coming year. From 2013, small and medium-sized enterprises that choose to use the standard regime (rather than the simplified regime) will no longer be required to pay the road fund and non-budget pension fund charges, both of which have been generally charged on turnover. This will lower the overall tax burden for such taxpayers. Other changes from 2013 also include reforms to the administration of assessments and potential underpayments. Previously there were no minimum limits on the amount of outstanding taxes that could trigger collection enforcement - this will be addressed to streamline the process and to provide taxpayers with the opportunity to manage their tax reconciliations more effectively and with less risk.

These and other amendments are the beginning of changes that have not been seen in Uzbekistan before. The impact of these changes will, however, take some time to filter through to affect the results of the *Paying Taxes* case study company. Nevertheless, the tone of engagement and conversation is clear; the authorities are looking at studies such as *Paying Taxes* as an indicator of global trends to help identify good practice around tax administration and regulation. The expectation is that *Paying Taxes* can help identify the areas of reform that can help Uzbekistan move towards implementing new practices that can help address their own development challenges and needs.

The regional analyses
EU & EFTA

On average, in the EU & EFTA region, the case study company has a Total Tax Rate of 41.1%, made 13.1 tax payments and took 179 hours to comply with its tax obligations in 2012.

Across the nine years of the study, on average, the region's average Total Tax Rate has reduced by 4.1 percentage points, the time to comply has fallen by 59 hours, and the number of payments has fallen by 9.3.

In recent years the Total Tax Rate for this region has started to increase, while the two compliance sub-indicators, time to comply and the number of payments, continue to drop away steadily.

Labour taxes and mandatory contributions are and have consistently been the largest part of the Total Tax Rate, accounting for 65% of the overall rate in 2012. These taxes required 48% of the time to comply in 2012, but accounted for only 24% of the number of payments.

The region has the lowest time to comply apart from the Middle East and the lowest number of payments after North America.

41.1
Total Tax Rate (%)

179
Time (hours)

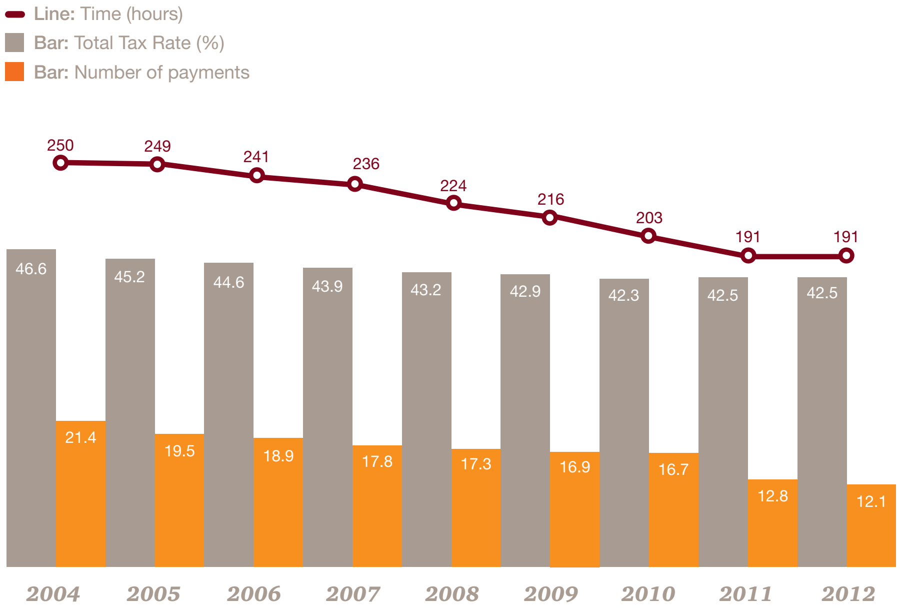
13.1
Number of payments

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

In the last two years the Total Tax Rate and time to comply have remained flat, while the number of payments has continued to fall

Figure 3.39

The sub-indicator trends for the EU & EFTA



The trend data in Figure 3.39 includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are: Cyprus, Luxembourg, Malta, San Marino

Source: PwC *Paying Taxes* 2014 analysis

The nine year trends for the EU & EFTA region

Figure 3.39 shows that the three *Paying Taxes* sub-indicators for the EU & EFTA region have fallen over the nine years of the study, however, in recent years the fall in Total Tax Rate has slowed.

The average Total Tax Rate for this region has fallen from 46.6% in 2004 to 42.3% in 2010, but in 2011 the rate increased marginally. Despite this increase, the 2012 average Total Tax Rate for the region remains just below the world average.

Of the 28 economies which were included in all 9 years of the study, 24 have reduced their Total Tax Rates since 2004 by an average of 5 percentage points. The remaining four economies increased their Total Tax Rates by an average of 1.4 percentage points. Bulgaria had the greatest overall fall in Total Tax Rate of 17.5 percentage points, being the cumulative result of gradual reductions between 2004 and 2010. The next largest reductions in Total Tax Rate are found in Greece, Italy and Romania at 10.0, 11.0 and 12.9 percentage points respectively.

The average time to comply in the region has fallen consistently from 250 hours in 2004 to 191[22] hours in 2012. Almost a third of this reduction is due to reforms in the Czech Republic which included the introduction of mandatory electronic filing, the unification of certain taxes and the simplification of tax processes. In the region there were 6 other economies that reduced their time to comply by over 100 hours over the 9 years of the study. Again, the introduction, widespread adoption and improvement of electronic filing and payment systems are the most common reasons for the reductions.

The average time to comply for this region is still well below the world average and it is the second lowest for the time to comply, after the Middle East.

The average number of payments in the region has also fallen steadily over the 9 years of the study dropping from 21.4 payments in 2004 to 12.1[22] in 2012. A quarter of the reduction is due to reforms in Romania including the introduction of electronic filing and payment and the unification of social security contribution returns. Croatia, Latvia and Poland each reduced their payments by more than 20 over the 9 years.

[22] In this section the trend averages are calculated only for those economies that have been included in all nine years of the study to ensure that we represent a true trend. The trend data for 2012 will therefore differ from 2012 data which includes all economies. The economies excluded from the Eu & EFTA trend data are: Cyprus, Luxembourg, Malta and San Marino

In 2012 labour taxes account for more than 65% of the Total Tax Rate

The Total Tax Rate in the EU & EFTA

Figure 3.40 shows how the Total Tax Rate in the EU & EFTA region breaks down into the three main components of profit taxes, labour taxes and 'other' taxes. It shows that over the 9 years of study labour taxes and social security contributions have consistently accounted for between 63% and 66% of the Total Tax Rate in this region. There are four economies where labour taxes account for a far smaller share of Total Tax Rate, namely Denmark, the United Kingdom, Malta and Norway.

The majority of movements in all three tax categories have been relatively small. Since 2004, all three key elements of the Total Tax Rate have fallen, profit taxes by 2.3 percentage points, labour taxes and mandatory contributions by 1.4 percentage points, and 'other' taxes show a 0.5 percentage point reduction. These movements are consistent with the global pattern and the growing importance of labour taxes.

Over the last 9 years across the region, the greatest single reduction for any economy and any type of tax was a reduction of 15.6 percentage points in labour taxes in Bulgaria due to a series of reductions in employer's social security contributions. Despite the reductions, in 2012 labour taxes still accounted for 73% of the Total Tax Rate in Bulgaria. The only significant increase in labour taxes was in Iceland due to increases in social security and pension contributions.

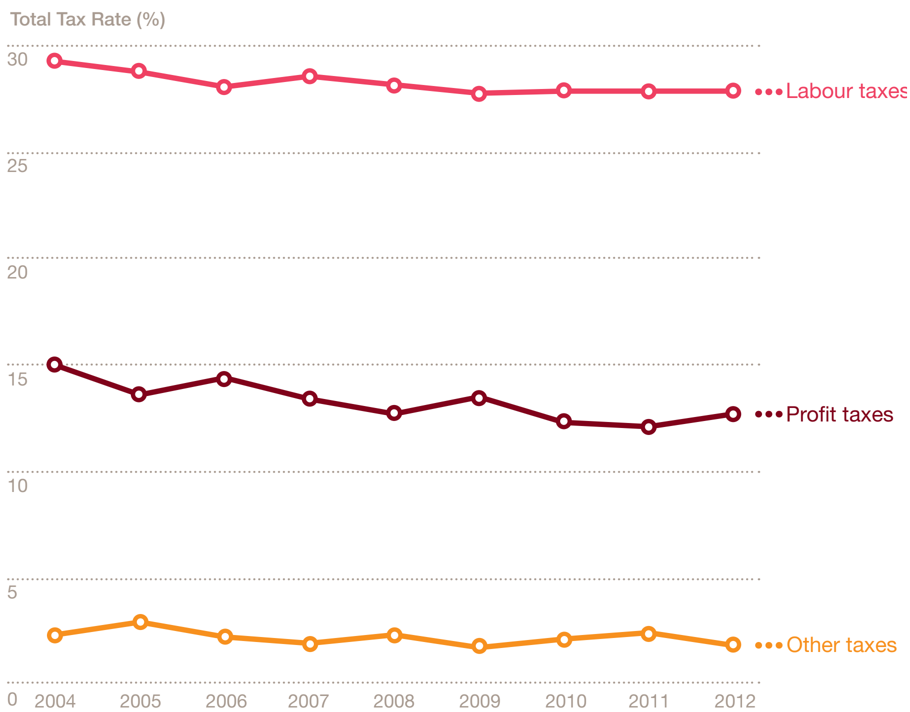
Greece and Italy have both reduced profit taxes by just over 10 percentage points since 2004 by reducing the headline rates of corporate taxes. There are 17 other economies that have also reduced their profit tax rates, by an average of 2.9 percentage points over the 9 years.

The magnitude of the reductions in 'other' taxes has been moderate, with the most significant change being an 8.3 percentage point reduction in Lithuania.

Looking at the most recent year, profit taxes increased, labour taxes remained steady and 'other' taxes decreased as explained below.

Figure 3.40

Trend in Total Tax Rate in EU & EFTA by type of tax

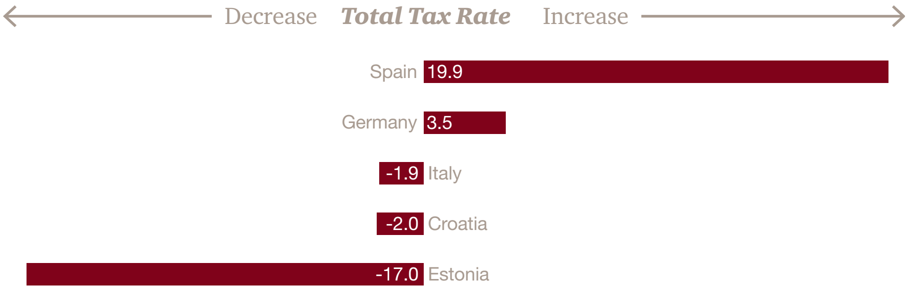


Source: PwC *Paying Taxes* 2014 analysis

Two economies in the region have broadened their profit tax bases leading to increases in their Total Tax Rates

Figure 3.41

Significant movements in Total Tax Rate between 2011 and 2012 – the EU & EFTA



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.41 shows the EU & EFTA economies that have had the most significant movement in Total Tax Rate between 2011 and 2012. Only 5 out of the 32 economies in this region had significant changes in the Total Tax Rate. The reforms affected all of the major types of tax with profit tax reforms having the biggest impact on the Total Tax Rate.

- As explained on page 104 Spain has broadened its profit tax base and as a result its Total Tax Rate increased by 19.9 percentage points. This is mainly driven by the repeal of a tax rule that granted 100% tax depreciation for certain fixed assets in the year of purchase. This has been replaced by the standard tax depreciation rates.

- Germany also broadened its profit tax base by amending tax depreciation rules for non-current assets acquired after 31 December 2009 from a declining balance to a straight line method. This resulted in the 3.5 percentage point increase in the Total Tax Rate shown in Figure 3.41.

- New rules were introduced in Italy that allow more expenses to be treated as tax deductible for profit tax purposes. In particular, the regional tax (Imposta Regionale sulle Attività Produttive (IRAP)) relating to employee expenses as well as 3% of paid-in capital can both now be treated as tax deductible.

- The major change in Estonia was the abolition of the local municipal sales tax which significantly reduced the Total Tax Rate from 66.4% to 49.4%.

- The decrease in Croatia's Total Tax Rate was largely due to the reduction in the employer's health insurance contribution, which reduced by 2 percentage points from 15% to 13%.

The time to comply in EU & EFTA

Figure 3.42 shows the breakdown in the time to comply since 2004 for the three key tax elements for the EU & EFTA region. While globally consumption taxes have tended to be the most time consuming, in this region labour taxes and mandatory contributions have consistently required the largest amount of time to comply. But these taxes have also shown the greatest reduction in time required which has helped to drive the global trend.

Overall, the time to comply has fallen significantly over the nine years of the study, though the rate of decline has slowed in the last year. The total reduction in the regional average since 2004 amounts to 59 hours. Almost 60% of this decrease relates to improvements made in the time to comply with labour taxes and mandatory contributions; less than 7% of the reduction relates to corporate income taxes.

Only the Czech Republic has significantly reduced the time to comply across all three types of tax thanks to a number of simplifications to the processes and administration for tax compliance, coupled with the introduction, improvement and adoption of electronic filing and payment.

There are 11 economies in the region that have reduced their time to comply with labour taxes and mandatory contributions by over 40 hours. Electronic filing and payment systems account for much of the reduction in the time to comply with labour taxes, though there are other reforms such as the availability of simpler compliance processes for smaller companies in the Netherlands.

Bulgaria and Spain are the only economies besides the Czech Republic to have significant reductions in the time to comply with consumption taxes.

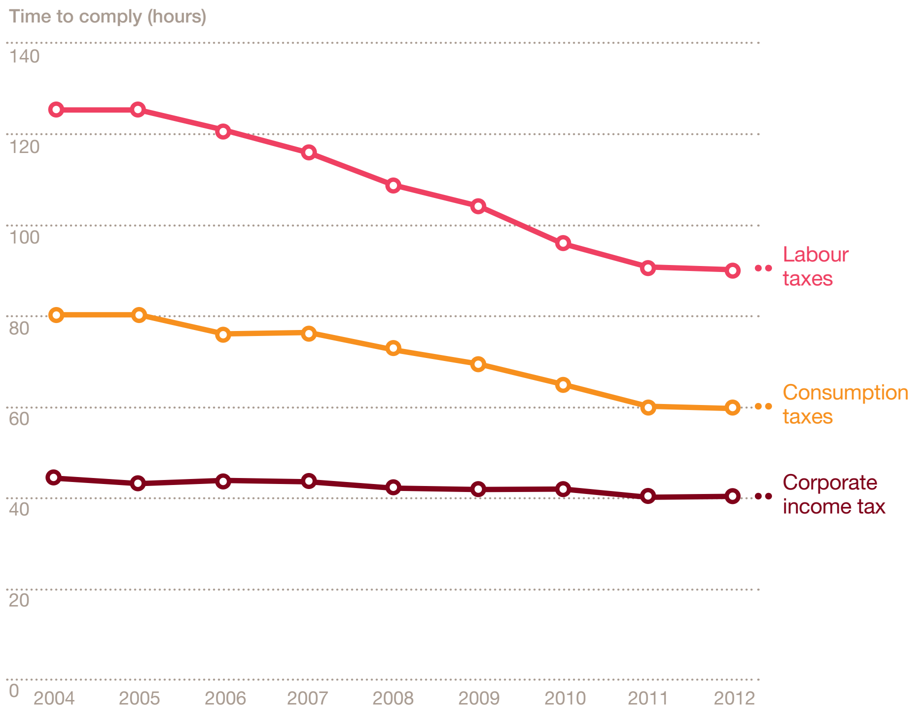
Figure 3.43 shows the EU & EFTA economies that have had the most significant movement in time to comply between 2011 and 2012. Out of the 32 economies in the region, only Germany recorded a significant change.

In Germany, balance sheet data now has to be submitted electronically to the tax authorities in a pre-defined structure and the additional work relating to the preparation of this has increased the time to comply by 11 hours.

Introduction of electronic filing and payment has affected labour taxes the most

Figure 3.42

Trend in time to comply in the EU & EFTA by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.43

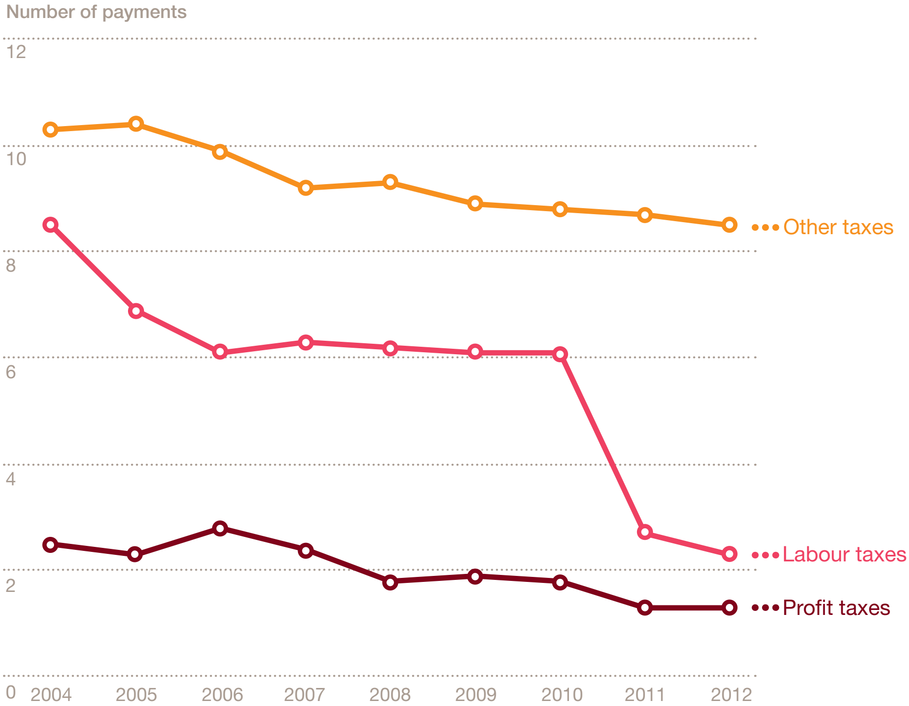
Significant movements in time to comply between 2011 and 2012 – the EU & EFTA

Source: PwC *Paying Taxes* 2014 analysis

Reduction in tax payments driven by reforms to Romanian social security contributions

Figure 3.44

Trend in the number of tax payments in the EU & EFTA by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The number of payments in the EU & EFTA

Figure 3.44 shows the trend for the EU & EFTA region since 2004 in the number of tax payments split by the three main types of tax. 'Other' taxes, which include VAT, environmental taxes and local taxes, have consistently accounted for the highest number of payments. This is consistent with the global picture, and remains the case in 2012.

The dramatic reduction in the number of payments for labour taxes and mandatory contributions was the main driver for the reduction in the overall average number of payments for the region. It has fallen by 73% for these taxes from 8.5 payments in 2004 to 2.3 in 2012. The number of payments for profit taxes fell by 1.2 payments (48%) and 'other' taxes reduced by 1.8 payments (17%) over the same period.

The drop in labour tax payments between 2010 and 2011 is driven by Romania adopting electronic filing and introducing a unified return for social security contributions. This reduced labour tax payments in Romania by 72. In addition to the reduction in Romania, 10 other economies have reduced their labour tax payments by at least 11 payments since 2004. Only Finland and Poland have reduced profit tax payments significantly, while Poland, Latvia and Croatia have reduced payments of 'other' taxes by at least 10 payments.

This region has the lowest average number of payments apart from North America; this is mainly due to the widespread adoption of the electronic filing and payment. The majority of companies in 29 of the 32 economies in the region use electronic systems to file and pay their taxes.

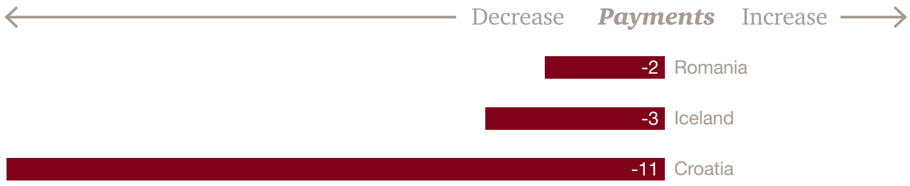
Figure 3.45 shows the EU & EFTA economies that have had the most significant movement in number of payments between 2011 and 2012. Only three economies had significant changes in the number of payments in the region. The reforms mainly reduced the number of payments of labour taxes and mandatory contributions.

- In 2012, Croatia fully implemented the e-filing and e-payment of social security contributions which allows joint payments and reduced the number of payments from 12 to only 1.

- The decrease in payments for Iceland was due to the abolition of the weight distance tax, and the improvement made in Romania was driven by changing the quarterly payments for company tax to twice yearly payments from the beginning of 2012.

Figure 3.45

Significant movements in number of payments between 2011 and 2012 – the EU & EFTA



Source: PwC *Paying Taxes* 2014 analysis

Electronic filing and payment reduces Croatia's tax payments

Portugal

2014 should be a turning point for Portugal

Jaime Esteves
PwC Portugal

In the *Paying Taxes* 2014 study the ranking for Portugal has fallen by 4 places to 81. Our case study company has not however found it harder to pay its taxes in Portugal. The fall is the result of other economies introducing tax reforms and other measures that have improved their tax systems and as a consequence their ranking. Portugal is not alone in struggling to attract foreign investment, to increase competitiveness and in implementing measures to help improve its economic environment.

Since the last study, Portugal has maintained the number of tax payments at 8 per year, and also the time to comply – currently at 275 hours. This compares with the 328 hours first reported in *Paying Taxes* 2006. Portugal has reduced its Total Tax Rate to 42.3%; but with a fall of only 1.5 percentage points since the first *Paying Taxes* back in 2006.

While the number of tax payments in Portugal compares well with the global average (only 21 economies in the study have fewer payments), the country still has a long way to go to achieve a similar position for the time to comply sub-indicator. With 275 hours required every year to deal with the tax system, the average is above the world average. This does not compare well with other European economies such as Luxembourg which with 55 hours takes the least amount of time in the EU. Portugal's neighbour Spain also performs better in terms of the time to comply sub-indicator, taking 167 hours. This illustrates a recurring theme of the *Paying Taxes* studies; that while changes to the Total Tax Rate, are often necessary, they are not sufficient on their own to maintain or improve an economy's ease of paying taxes ranking in the study. Changes in the compliance burden are also needed and can often have a more significant impact.

42.3
Total Tax Rate (%)

275
Time (hours)

8
Number of payments

Looking forward, it is hoped that future *Paying Taxes* reports will reflect substantial changes which will flow from corporate income tax reforms that are expected to be approved in 2013 and which will apply from 2014. These reforms are aimed at simplifying the tax system and lowering the tax burden. Portugal is taking important steps towards improving its tax system with a view to becoming more competitive.

One reform that is expected to affect the case study company results is the gradual reduction of the standard corporate income rate in the short term. Currently 25%, the rate will be lowered to 23% in 2014 and 21% in 2015 with it reaching between 17% and 19% in 2016.

There are also a number of reforms which will be important for encouraging investment, but which will not affect the *Paying Taxes* sub-indicators owing to the fact pattern of our case study company. These reforms include:

- the introduction of a participation exemption regime exempting dividends and capital gains in general from corporate income tax
- an optional exemption regime for permanent establishments abroad
- an extension of the existing tax exemption for inbound dividends
- changes to the requirements for group taxation
- a patent box regime for intangibles, providing for a relief from taxation of 50%, and
- an extension to 12 years of the period in which tax losses can be carried forward.

While the focus for Portuguese companies has shifted from a purely domestic perspective to a more international one as companies seek to take advantage of business opportunities around the world, the goal for the Portuguese Government is to make Portugal an attractive destination for doing business. Portuguese companies must be able to compete with their international peers, and at the same time there is a need to provide foreign investors with the conditions that encourage them to invest in Portugal and to consider using Portugal as a hub for investments in other countries such as the Portuguese speaking African countries and the regional integration areas of which they are members.

Despite the current economic and financial difficulties that Portugal is facing, and recognising that more needs to be done, a reduction in the corporate income tax rate as early as 2014, and a reduction in the time to comply, both afforded by the corporate income tax reform, should improve the ease of paying taxes in Portugal in the near future.

Spain

New measures to increase government revenues

Mario Lara
PwC Spain

The demand for a reduction in Spain's public deficit has led to the adoption of measures intended to increase tax revenues. Corporate income tax collections had fallen by almost 60% between 2007 and 2012 and therefore it was evident that certain aspects of taxation had to be reformed to increase revenue. These measures are clearly reflected in the Total Tax Rate sub-indicator for 2012, which we already expect to increase still further in the near future. The public deficit stood at 6.98% in 2012, compared to 8.96% in 2011. If, however, we add to this the cost of the bank restructuring, the deficit reached 10.64% of GDP.[23] An increase in fiscal pressure seems almost inevitable if the deficit is to be reduced to a figure close to 3%, within the framework of a stagnant economy with over 25% of the working population unemployed.

The measure that has most increased the fiscal pressure on companies in 2012 has been the elimination, with effect from 31 March 2012, of the enhanced depreciation regime that applied to new tangible fixed assets and property investments. This measure, in force since 2009, allowed companies to claim upfront tax depreciation on new assets and investments, thereby reducing corporate income tax in those years in which investments were made.

Looking wider than the fact pattern of the *Paying Taxes* case study company, to companies whose net turnover in the previous year exceeded €20 million, the offsetting of prior-year tax losses has been limited as they may now only be used to offset up to 50% of taxable profits arising in the current year (25% if turnover in the previous tax period exceeded €60 million). This means that companies with significant brought forward tax-losses will have to pay corporate income tax. There have also been reductions in the additional tax deductions that can be claimed on some expenses such as expenses arising from research and development activities.

In line with regimes in other countries, a 30% EBITDA[24] limitation has been introduced on the deductibility for tax purposes of interest and other finance costs above €1 million. This limitation affects financial expenses irrespective of whether they derive from internal or external borrowing.

[23] Programa de estabilidad 2013-2016 Available from: http://www.minhap.gob.es/es-ES/Estadistica%20e%20Informes/Paginas/estadisticaseinformes.aspx
[24] Earnings before interest, taxation, depreciation and amortisation

58.6
Total Tax Rate (%)

167
Time (hours)

8
Number of payments

Looking at measures introduced more recently and which have yet to affect the case study company, the 2013 Budget Law has increased the tax base by limiting the tax deductibility of depreciation charges during 2013 and 2014 to 70% of the amounts that would have qualified for a tax deduction prior to the approval of the measure.

The regime for the payment of advance instalments of corporate tax has undergone significant change with the introduction of minimum payments based on the accounting profit for the period, rather than on the estimated taxable profit for the period. A company with accounting profits, but no taxable profits, e.g. due to the use of brought forward losses, or due to non-taxable dividend income, will still have to make payments of corporate tax. Although such payments will be deducted from the final tax assessment, they require earlier payment of tax liabilities and have an adverse impact on companies' cash flows.

While VAT does not have an impact on the Total Tax Rate of the case study company, in a wider context it is interesting to note the changes that the Spanish Government has made to the scope of indirect taxation. With effect from 1 September 2012, the standard rate of VAT was increased from 18% to 21%, while the reduced rate increased from 8% to 10%.

Certain measures are temporary and are intended to be applied only until Spain's economic stability and growth get back on track. The economic situation in Spain suggests that some of these measures will be extended and other new measures will be introduced, some of which are already being considered by the Spanish legislative chambers.

Given the overriding need to increase tax revenues, the Spanish Government has had limited scope to introduce tax incentives to boost economic activity. There are however a couple of targeted reforms worth noting, namely the reduction of corporate income tax by 10 or 15 percentage points for two years for newly incorporated companies from 2013, as well as the introduction of certain deductions for the reinvestment of profits.

Spain has opted to seek increased tax revenue to stabilise its public accounts and this increased fiscal pressure is reflected in the Total Tax Rate for 2012. We hope that this tax effort is worthwhile and that we will soon see a return to economic growth.

Sweden

A stable position in *Paying Taxes*, but an active debate around tax

Magnus Johnsson
PwC Sweden

The *Paying Taxes* sub-indicators for Sweden have remained stable for a number of years, but this does not mean the area of corporate taxation is quiet. On the contrary, in recent years there has been much public debate on a wide range of issues and new legislation has been introduced.

When it comes to compliance and administration, the Swedish tax system is functioning well. With only four payments per year, Sweden is almost at the top of the number of payments sub-indicator. The low number of payments comes from extensive use of electronic filing and an ability to make joint payments. In 2012, 67% of Sweden's companies filed their tax returns electronically, up from 60% in 2011.

In response to a need to offer a competitive environment, corporate income taxes have been sharply reduced in past years. A cut from 28% to 26.3% in 2009 was followed by a further cut to 22%, applicable from 1 January 2013. Sweden's corporate income tax rate is now just below the European Union average of 23%.

However, while the rate of corporate income tax has a high public profile, corporate income tax is a relatively small part of Sweden's Total Tax Rate. Just less than 16 percentage points relate to corporate income taxes while just over 35 percentage points relate to labour taxes and mandatory contributions. Over the nine years of *Paying Taxes* the Total Tax Rate for labour taxes and mandatory contributions has dropped slightly from 36.9% in 2004 to 35.5% in 2012. In 2012, the Total Tax Rate stayed at 52.0% for the fourth year in a row and so remains well above the global average.

At present the entire Swedish corporate tax system is currently being reviewed by a government appointed committee. The stated aim of the review is to broaden the tax base and to create neutrality between equity and debt.

52.0
Total Tax Rate (%)

122
Time (hours)

4
Number of payments

The review was initiated in 2011 and final reports are due to be published by March 2014. Meanwhile, some changes in corporate taxation have already been introduced or are under way:

- Following a public debate on tax planning and private ownership of tax-financed enterprises, such as schools and homes for the elderly, new legislation was introduced in 2013 that means that interest is no longer deductible for tax purposes if it arises on shareholder loans that are used to finance acquisitions.

- In 2013, the Swedish Parliament adopted a Government proposal to change certain rules for companies with a limited number of active individual shareholders. Previously, all shareholders in such companies could treat some of their income as capital income for tax purposes. From 1 January 2014 the rules will only apply to shareholders who own more than 4% of a company. Following criticism from Sweden’s Council on Legislation, the Government did not proceed with a previous proposal on a higher salary withdrawal requirement.

United Kingdom

Maintaining trust in the tax system to help encourage growth

Kevin Nicholson
PwC United Kingdom

Over the period covered by the *Paying Taxes* study we have experienced some of the most challenging economic conditions of recent times. After a period of significant growth, the severe recession left us with the need to deal with a long term structural deficit, an ageing population and a shift globally in the balance of economic power. Along with these issues three additional factors have become the focus of the tax debate both in the UK and internationally: globalisation of business; economies competing for tax revenue; and the arrival of the digital age. All of these however get us to one key reality; government has a need for increased tax revenue streams for the long term and the challenge is how best to achieve this and at the same time to provide a tax system which is both trusted and which helps to encourage economic activity a globalised world.

As one of the most open economies in the world, the UK has to work hard at retaining and attracting business as a source of both jobs and tax revenues. This has strong implications for the tax base, which includes not only corporation tax but all of the taxes that are driven from corporate activity. The process of corporate tax reform in the UK has been going on throughout the nine years of the *Paying Taxes* study, led by successive Governments with the aim of making the UK's tax system competitive. The current system in the UK, which broadly seeks to tax economic profits made in the UK but not beyond, is now broadly coherent in the context of a truly globalised business world and compares reasonably well with other similar economies.

The UK now has a relatively low corporation tax rate which is also the result of the policy of successive governments. This has seen the rate fall from in excess of 50% in the last century and it is planned to reach 20% for the year beginning 1 April 2015. Incentives such as the patent box have also been implemented to help keep the UK "open for business", attract investment and to create employment and economic activity which in turn should produce a broader and more stable tax base.

34.0
Total Tax Rate (%)

110
Time (hours)

8
Number of payments

It is expected that receipts from corporation tax may reduce in the short term, but as has been seen in studies we have conducted in the UK , it is also expected that this will be offset by increases in other taxes,[25] which have proved to be more stable as being less dependent on profits. The aim is also for there to be a larger population of business taxpayers paying corporation tax (and other taxes) for the longer term and some recent public announcements of companies moving, or returning, to the UK are early indicators of this working.

One of the most attractive aspects of any tax system for international investors is stability. The approach of government in laying out its corporate tax road map for reform has helped in this respect, as has the model adopted by the UK tax authorities, Her Majesty's Revenue and Customs, (HMRC) and its risk based approach to dealing with taxpayer issues.

As regards the results for the UK in the World Bank *Paying Taxes* study, since the 2012 study the position has been improving so that this year the UK ranks 14 in the list of 189 economies included. It is the Total Tax Rate that has had the most significant impact on the result. The gradual fall in the statutory rate for corporation tax is reflected in the study and has helped to reduce the overall Total Tax Rate to 34.0% in this year's study, and with further reductions in the corporation tax rate still to take effect, we can expect the overall rate to fall further.

The number of payments has remained constant at eight reflecting the position of one profit tax (corporation tax), one labour tax on the employer (national insurance contributions) and six other taxes including VAT, business rates, landfill tax, vehicle excise tax, insurance premium tax and fuel duty.

The number of hours required to comply with corporation tax, labour taxes (including national insurance contributions, employee income taxes and VAT) has also remained constant at 110 hours.

So the UK currently has an attractive tax system, but that is not to say that there is no more to be done.

Beyond the fact pattern of the *Paying Taxes* company there are many difficult issues still to address in the international arena, not least of which is the public concern as to how the international system currently works. This takes us back to the issues of globalisation and the advent of the digital age. The UK Government is actively participating in the review of the system, and in the meantime it will need to ensure that domestic tax law is kept up to date and consistent and that HMRC is properly resourced to ensure the tax due under the law is collected. Maintaining trust in the system, the professionalism and integrity of HMRC and securing the support of business and the public, is critical.

[25] Total Tax Contribution for The Hundred Group 2012

The regional analyses
Middle East

On average, in the Middle East region the *Paying Taxes* case study company has a Total Tax Rate of 23.7%, makes 17.6 tax payments and takes 159 hours to comply with its tax obligations.

Labour taxes and mandatory contributions are significant accounting for 59% of the Total Tax Rate, 56% of the time to comply and 59% of tax payments.

The region has the lowest Total Tax Rate and time to comply. It also has the lowest number of payments after North America and the EU & EFTA.

Over the nine years of the study there has been very little movement in any of the three sub-indicators.

23.7
Total Tax Rate (%)

159
Time (hours)

17.6
Number of payments

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

All three sub-indicators have been almost unchanged since 2005

The nine year trends in the Middle East

As shown by Figure 3.46, the three *Paying Taxes* sub-indicators for the Middle East region have remained very stable over the nine years of the study.

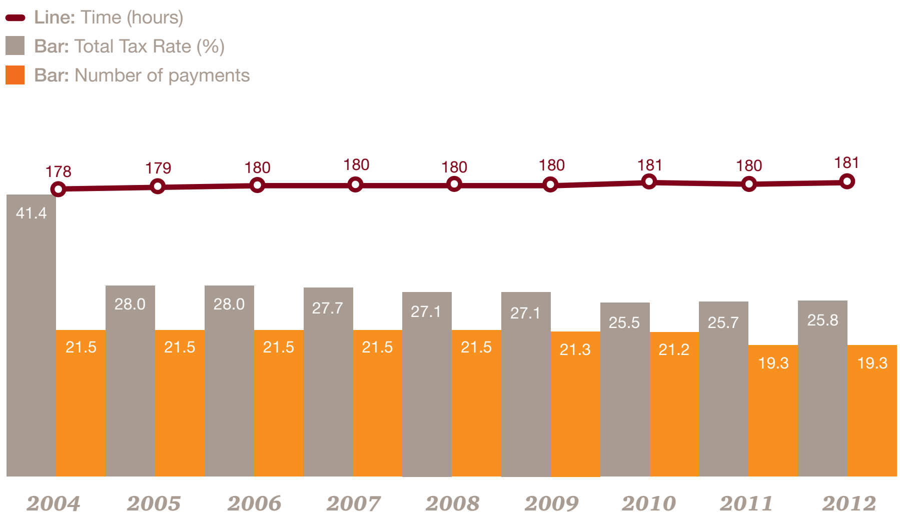
The average Total Tax Rate for this region fell from 41.4% in 2004 to 28.0% in 2005, largely driven by the abolition of the last cascading sales tax in the region in the Republic of Yemen. There was a small dip in the rate in 2010, due to reforms in Jordan. The average Total Tax Rate for the region has only moved marginally since 2010.

The region has had the lowest average Total Tax Rate throughout the nine years of the study.

The average time to comply has increased by three hours since 2004 while the number of payments has dropped by two.

Figure 3.46

The sub-indicator trends for the Middle East



The trend data includes only those economies for which data is available for all years of the study and therefore the figures differ from the regional averages for 2012. The economies that are excluded are: Bahrain and Qatar

Source: PwC *Paying Taxes* 2014 analysis

Since 2005 labour taxes have increased marginally while profit taxes have fallen

The Total Tax Rate in the Middle East

Figure 3.47 shows how the Total Tax Rate in the Middle East breaks down between the three main components of profit taxes, labour taxes and 'other' taxes. It shows that over the nine years of study the labour taxes and mandatory contributions component has been the largest element of the average Total Tax Rate. This component accounted for 50% of the average Total Tax Rate in 2005, increasing gradually to 56% of the average Total Tax Rate by 2012. The trend for a falling profit taxes proportion and a growing labour tax element is consistent with the global pattern, as is the reduction in 'other' taxes borne.

Only in West Bank and Gaza are no labour taxes or mandatory contributions levied on the case study company, while in Qatar, Kuwait and Bahrain, labour taxes are the only taxes borne by the case study company.

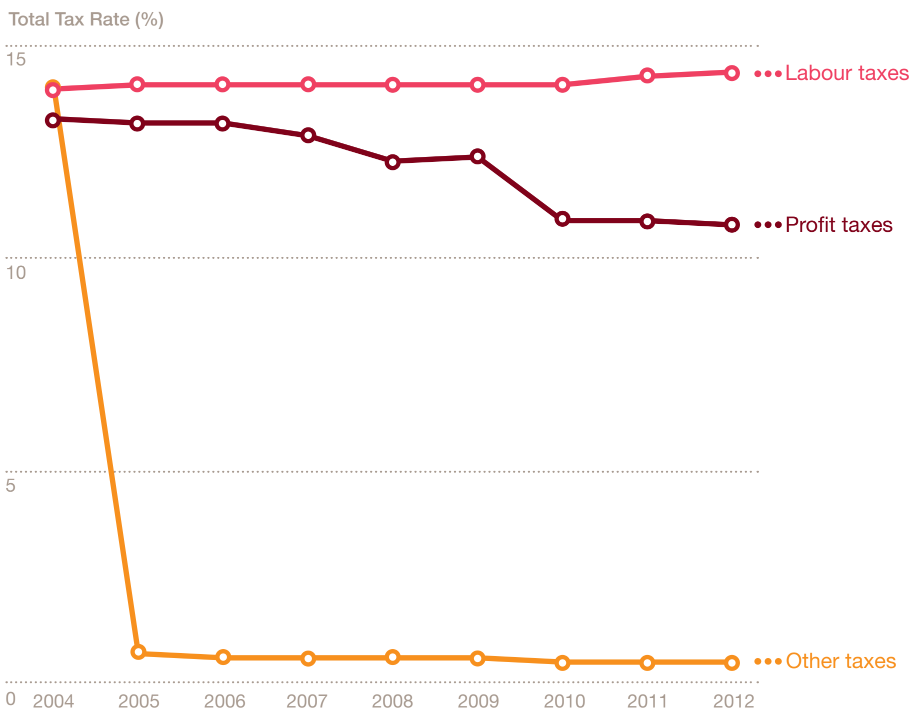
Figure 3.47 also shows that other than the large reduction in 'other' taxes as a result of abolishing cascading sales tax in the Republic of Yemen in 2005, the trend has stayed relatively stable. There have been some small decreases in profit taxes since 2004 and a slight rise in labour taxes since 2010, but no significant reforms.

The fall in the profit tax element of the Total Tax Rate between 2007 and 2008 was due to accelerated tax depreciation becoming generally available to all companies in Lebanon. The fall between 2009 and 2010 was due to the abolition in Jordan of educational, vocational and support funds and the reduction, also in Jordan, of rates of corporate income tax and property transfer tax.

There are no significant movements in 2012.

Figure 3.47

Trend in Total Tax Rate in Middle East by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The average time to comply is virtually unchanged since 2004

The time to comply in the Middle East

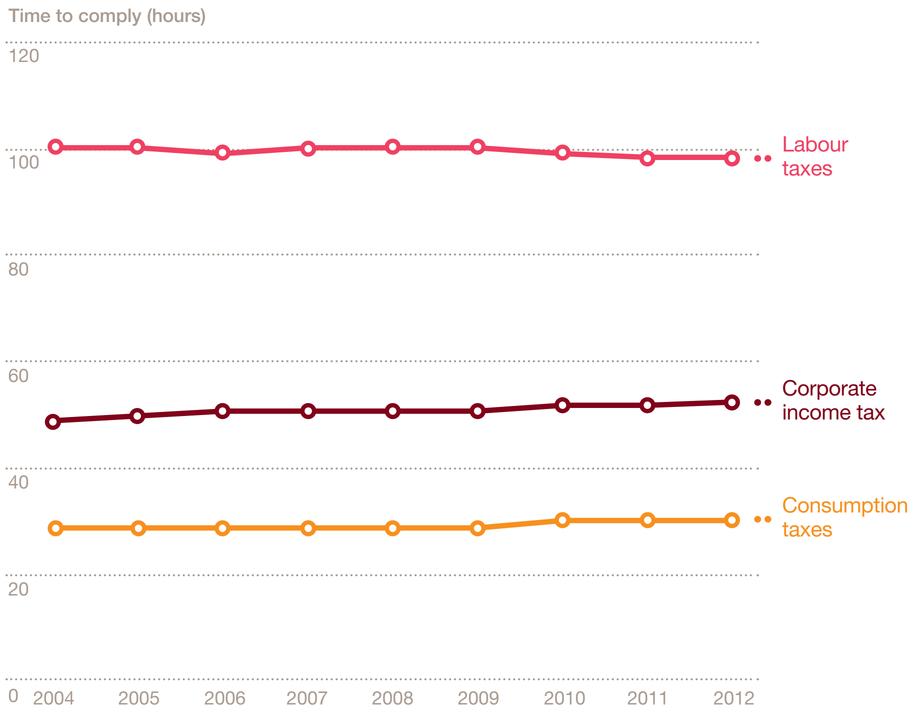
Figure 3.48 shows the breakdown in the time to comply since 2004 for the three key types of tax for the Middle East. On average, labour taxes and mandatory contributions consistently take the most time to comply with filing obligations. This agrees with the fact that labour taxes account for the greatest share of the Total Tax Rate in the region, but shows a different position to the global picture where consumption taxes are seen to take the most time on average.

In the Middle East, the average time to comply for all types of tax has stayed almost the same over the nine years of the study.

There are no significant movements in 2012.

Figure 3.48

Trend in time to comply in the Middle East by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The number of payments in the Middle East

Figure 3.49 shows the breakdown in the number of payments since 2004 and the three key components of this for the Middle East. On average, labour taxes account for the greatest number of payments in the region.

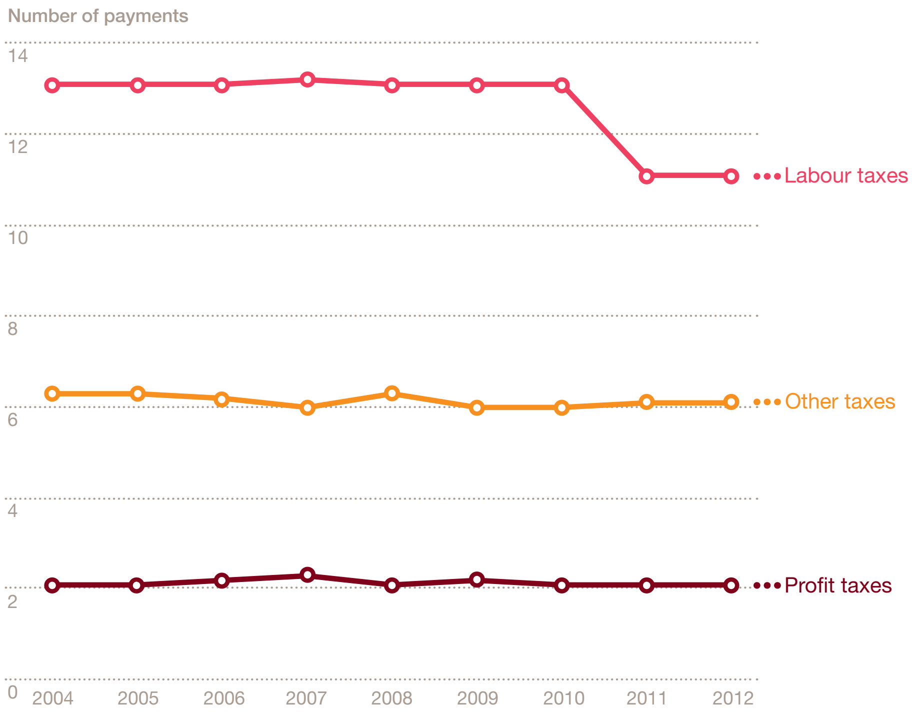
The major improvement made in labour tax payments in 2011 was the main driver for the reduction in the average number of payments sub-indicator overall. This was due to Saudi Arabia and the United Arab Emirates which both introduced online payment systems for social security contributions.

This region has the lowest average number of payments apart from North America and the EU & EFTA; this is mainly due to relatively low number of taxes in this region as well as the increasing use of electronic filing and payment in some economies in the region.

There are no significant movements in 2012.

Figure 3.49

Trend in the number of tax payments in the Middle East by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Middle East

Middle East economies are looking to make changes

Wadih AbouNasr
PwC Lebanon

The Middle East tax environment continues to evolve as governments in both carbon and non-carbon based economies, look to align themselves with other economies. They are actively looking to strengthen their fiscal frameworks by introducing measures to reduce complexity.

Although none of the Middle East economies introduced significant tax changes or new tax legislation over the past year, most governments are introducing or looking to introduce compliance simplification measures through electronic filing and e-payment. Most recently Lebanon has introduced compulsory e-filing and e-payment of salaries tax and VAT for large tax payers, while Qatar, Saudi Arabia and Oman are working on draft legislation to introduce similar measures.

Recent trends in tax reforms in the region also show a shift towards a more territorial approach to taxation with withholding taxes and permanent establishment issues being at the forefront of developments.

The Middle East has also witnessed an expansion of the tax treaty network in a number of economies, particularly the United Arab Emirates and Saudi Arabia, along with staff capacity building to allow tax authorities to tackle international tax issues. However, with effective tax rates lower than the average worldwide rates and the expansion of treaty networks, the main challenge for governments in the Middle East will be to maintain relatively low tax rates especially given the recent OECD recommendations on greater tax transparency and restoration of tax fairness. This would certainly be raised in the light of the coordinated efforts between OECD and non-OECD economies to fight tax evasion, notably through treaty benefits.

In this context, and as there is increased scrutiny by various stakeholders, it will be interesting to see whether governments in the region, such as the United Arab Emirates or Bahrain, who so far have not taxed corporate profits while allowing treaty benefits to companies established there, would introduce a corporate tax in order to align with worldwide as well as regional tax profiles. Such a measure could also be driven by a desire for these economies to diversify their sources of revenues beyond the hydrocarbon revenue stream.

23.7
Total Tax Rate (%)

159
Time (hours)

17.6
Number of payments

Governments in the Middle East consider the *Paying Taxes* sub-indicators to be important. Economies like Qatar, which have been identified in previous *Paying Taxes* reports as having tax systems that are easy to comply with, are looking to further streamline and simplify their compliance requirements, notably through the introduction of e-filing systems. Similarly, Oman has embarked on a series of simplification measures, although the time to comply increased by six hours in 2012 due to the additional reporting and filing requirements of the new regime. Kuwait has introduced new compliance measures, including a self-assessment scheme, to ease and accelerate reporting and compliance, but the changes in Kuwait have not yet affected the case study company.

While VAT has been under discussion in the Gulf region for some years now, the Gulf Cooperation Council (GCC) states have recently taken concrete steps in this regard through the establishment of a common platform for a common VAT framework law, which aims to harmonise the various VAT systems across the GCC. No doubt such a measure will constitute a significant source of revenues for most GCC states in line with their objective to decrease their reliance on revenues from hydrocarbons. The introduction of a VAT system in the GCC would certainly result in an additional compliance burden and governments will need to ensure that simple and efficient VAT systems are implemented which encourage voluntary compliance and which keep the cost of implementation to a minimum for business.

In their desire to continue to be simple and efficient places to do business, while retaining low headline rates of tax, Middle East economies are expected to continue their efforts to balance their need for sustainable tax revenues and the need to continue to attract investment.

The regional analyses
North America

In 2012, on average in North America our case study company had an average Total Tax Rate of 41.4% which is below of the world average 43.1%. However for 2012 there is an increase of 0.2 percentage points driven by Mexico changing its social security rate.

All three sub-indicators for the region are below the world average, but this disguises some significant differences between the three economies which make up this region.

High levels of corporate income tax drive the Total Tax Rate in the United States, labour taxes and mandatory contributions are significant in Mexico while generally lower tax rates apply in Canada.

All economies in this region have implemented online filing and payment systems resulting in a reduction of 122 hours in the average time to comply over the nine years of the study.

The average number of payments for the region is 8.3, well below the world average of 26.7 and the lowest of any region.

41.4
Total Tax Rate (%)

213
Time (hours)

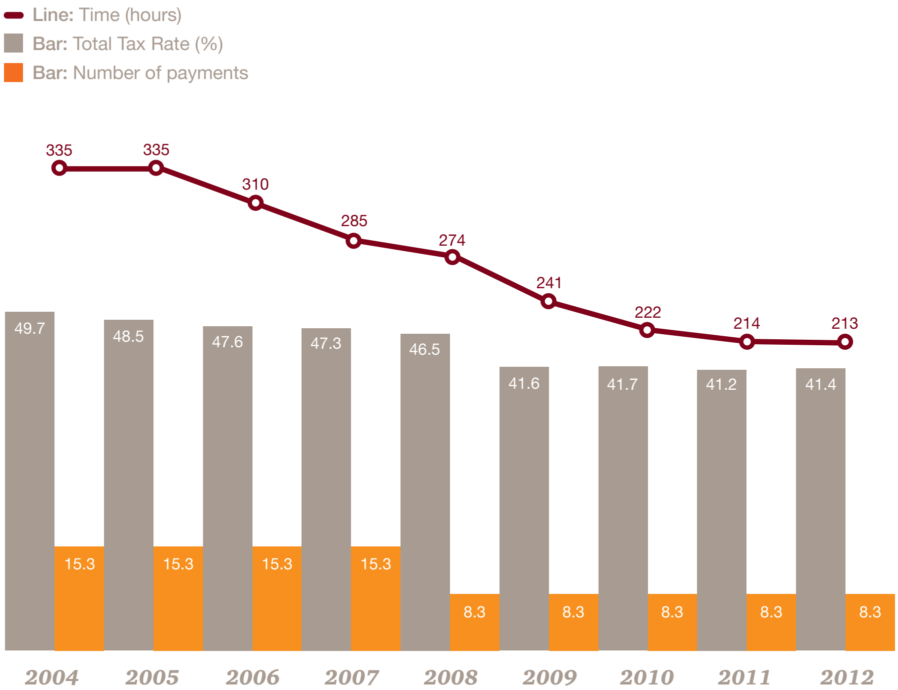
8.3
Number of payments

The following economies are included in our analysis of North America: Canada; Mexico; United States

Since 2006 the three sub-indicators for this region have been below the world average. The time to comply and the number of payments have fallen significantly, but the fall in the Total Tax Rate has been more modest

Figure 3.50

The sub-indicator trends for North America



The 3 North American economies have all participated in all years of the *Paying Taxes* study and are therefore all included in the trend analysis.
Source: PwC *Paying Taxes* 2014 analysis

The nine year trends in North America

Figure 3.50 shows the trend in the three *Paying Taxes* sub-indicators since 2004. Since 2010 profit taxes have accounted for almost 50% of both the Total Tax Rate and the time to comply for the region.

Over the nine years of study the average Total Tax Rate has fallen by 8.3 percentage points, driven by Canada with a total drop in the profit tax element of the Total Tax Rate of 20.7 percentage points. On the other hand, all three economies have experienced increases in labour taxes and mandatory contributions and Canada and the United States show small decreases in 'other' taxes.

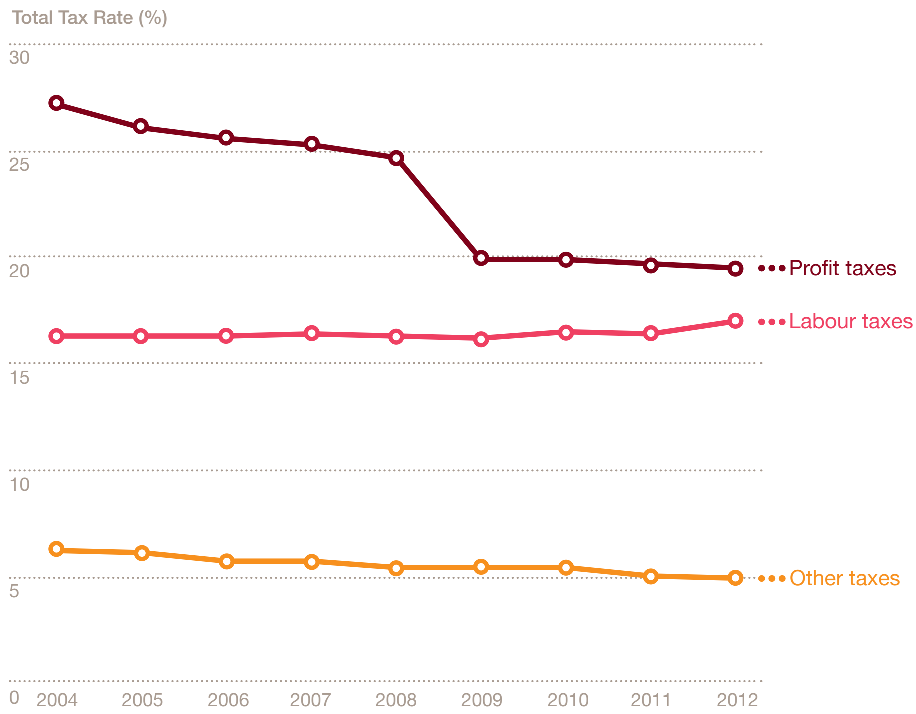
All three economies have electronic filing and payment, which is the main reason for the consistent decline in the time to comply. From 2004 there has been an average decrease of 122 in the hours spent on tax compliance for the case study company. Mexico accounts for 62% of the fall thanks to reforms that made paying taxes easier by introducing electronic systems for payroll tax, property tax and social security taxes.

The average number of payments has dropped from 15.3 payments in 2004 to 8.3 payments in 2012. The number of payments is the lowest of any region, and well below the world average. The three economies have around eight payments each in 2012, with 48% being payments of 'other' taxes, 36% being payments of labour taxes and mandatory contributions and 16% related to profit taxes.

Profit taxes have fallen the most but are still the largest element of the Total Tax Rate

Figure 3.51

Trend in Total Tax Rate in North America by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The Total Tax Rate in North America

Figure 3.51 shows how the Total Tax Rate breaks down into the three main components of profit taxes, labour taxes and 'other' taxes.

The average profit tax Total Tax Rate declined steadily with a fall of 2.5 percentage points between 2004 and 2008, followed by a large fall in 2009 which reduced the average profit tax Total Tax Rate for the region by nearly a fifth. The 2009 rate reduction was largely the result of changes in Canada where the governments of Ontario and Canada jointly committed to harmonise State and Federal corporate income tax bases and reporting and there were slight reductions in the rates of State and Federal corporate income taxes.

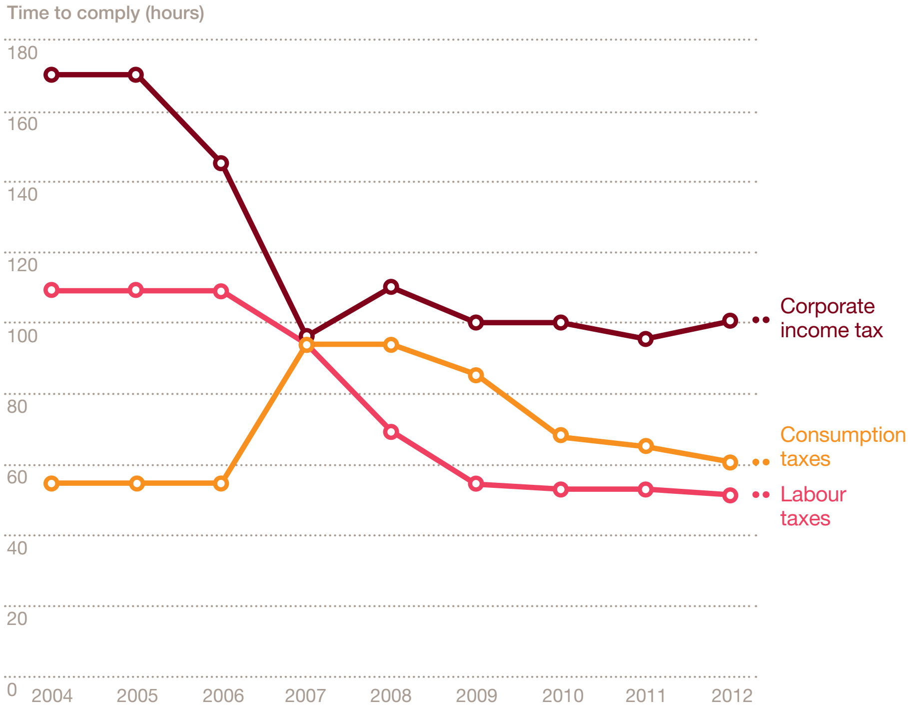
Neither labour nor 'other' taxes have shown significant movement since 2004. For labour taxes the Total Tax Rate was largely flat until 2009, with a small increase seen in recent years. This increase arises as Mexico changed its social security rates. Mexico has the highest Total Tax Rate for labour taxes in the region at 28.2%.

'Other' taxes fell from an average of 6.2% in 2004 to an average of 4.9% in 2012 due to several small changes including reductions in property tax in Canada and in the United States.

The pattern of these regional trends is consistent with the global trends.

Figure 3.52

Trend in time to comply in North America by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Across the nine years of study the three economies have fully implemented electronic filing and payment, leading to substantial reductions in the time to comply

The time to comply in North America

Figure 3.52 shows the breakdown of the time to comply in North America since 2004 split by the type of tax.

The three elements of the time to comply have moved significantly since 2004 due to a number of reforms in the region. The economy in North America making the most reforms has been Mexico, with substantial movements for both corporate income taxes and labour taxes and mandatory contributions.

Corporate income taxes have consistently required the most time to comply in this region, but between 2006 and 2009 the time required to comply with corporate income taxes fell sharply, driven by the increased use of electronic filing and payment in the United States in 2007. In Mexico there were several reforms; additional reporting requirements due to the introduction of a business flat tax increased the time requirements, while advances in online accounting and filing systems and payments have subsequently reduced the time required.

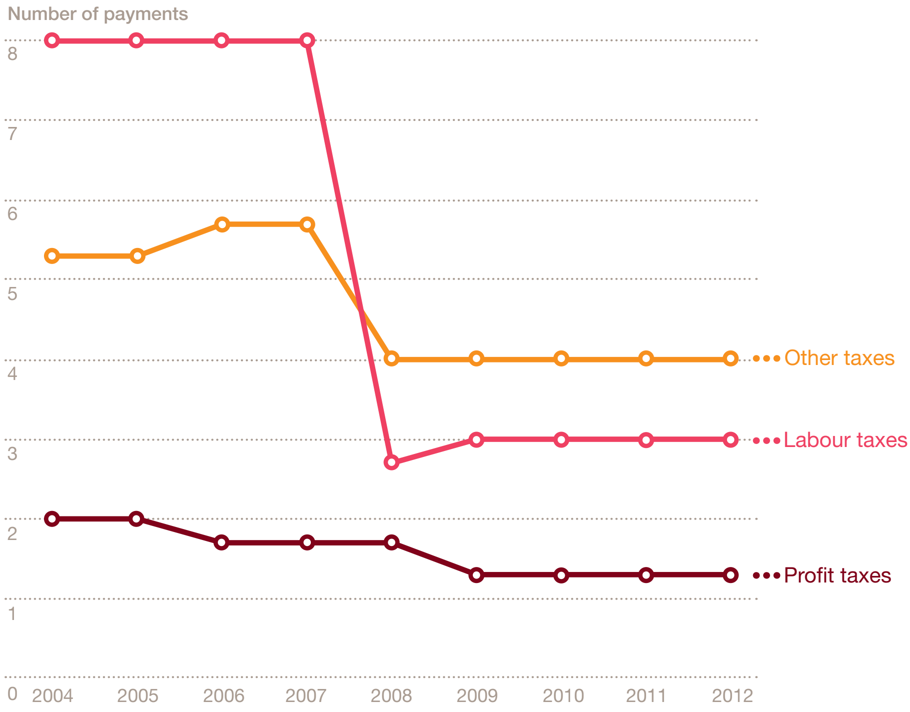
The trend in consumption taxes can similarly be explained by a number of reforms introduced in Mexico with new reporting rules in 2007 and new requirements for VAT. The amount of time to comply with consumption taxes has subsequently fallen.

The change in the time to comply with labour taxes accounts for around 48% of the total fall in the time to comply with all taxes across the region. This reduction in the time to comply with labour taxes has been driven by Mexico as part of the same reforms mentioned above.

While the fall in time required for labour taxes is consistent with the global trend, the increase in time required for corporate income taxes in the last year is out of line with the global pattern.

Figure 3.53

Trend in number of payments in North America by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The number of payments has declined significantly since 2004; labour tax payments have fallen most.

The number of payments in North America

Figure 3.53 shows the breakdown in the number of tax payments since 2004 for the North America region split by the type of tax. There is a significant fall of five payments for labour taxes. For both profit taxes and 'other' taxes, the drop across the nine year period has been around one payment.

The largest reduction in the number of payments occurred between 2007 and 2008 when Mexico reduced its payments by 21, split between 'other' taxes with 5 fewer payments, and labour taxes with 16 fewer payments. This is the result of electronic systems for social security payments which became widely available, alleviating the need for taxpayers to make payments in person at the bank.

Since 2009 there have been no new reforms which have reduced the number of payments.

Canada

Government and business working together to improve the tax system

Lincoln Schreiner
PwC Canada

The *Paying Taxes* report has generated media attention in Canada over recent years as the tax system which applies to the case study company has changed and the ranking has improved. The changes that we have seen demonstrate that Canadian government agencies and small privately owned businesses appear to be working together to make the tax burden lighter and to ensure that the annual tax compliance process is easy for those businesses.

Canada has now been in the top ten of the rankings for the last three studies. There are two major factors producing Canada's high ranking for this type of business. First is the significantly reduced corporate income tax rate on the first CAD500,000 of annual Canadian profits made by a privately owned corporation. Second is Canada's sustained effort to simplify electronic reporting, filing and payment, and the tax regulatory and compliance aspects of running a business ('tax red-tape').

This report also highlights the impact of so-called 'fixed taxes' that apply to a business, such as property tax and payroll taxes. Fixed taxes must be paid regardless of whether the business makes a profit. They are rarely visible in a profit and loss account, so most business owners do not clearly see the total tax borne which is paid to city and provincial bodies in addition to federal government bodies.

Here is a breakdown of the taxes borne for the calendar year to 31 December 2012, for the previous year (2011), and for the first year of the study (2004) for our case study company – a privately owned small manufacturing business operating within the city of Toronto.

	2012	2011	2004
Profit taxes	6.6%	6.8%	27.2%
People taxes	12.9%	12.7%	12.4%
Property taxes	4.8%	5.1%	7.9%
Total	**24.3%**	**24.6%**	**47.5%**

24.3
Total Tax Rate (%)

131
Time (hours)

8
Number of payments

The table clearly shows how the profit tax has fallen significantly since 2004 and how this has continued in the last year, in part because of the on-going tax rate reductions proposed by the federal and Ontario governments. People taxes comprise the business portion of federal employment insurance and the Canada Pension Plan, plus the business portion of Ontario workplace safety insurance and employer health tax. Falling corporate income taxes and stable if not rising labour taxes borne by companies are consistent with what is being seen globally.

Continuing simplification of tax red-tape remains important, but given the current economic climate, the key priority for business today should be tax rate stability. The September 2013 announcement that the federal government will 'cap' employer employment insurance rates until 2016 is the type of tax stability that should be welcomed by businesses in Canada with a substantial number of employees.

The improvements mentioned signify that more after-tax free cash flow is available for reinvestment to continue growing a business in Canada than in most other economies – including the USA. Privately owned small business in Canada should take comfort: the ranking demonstrates that Canadian government agencies support and encourage the creation of more such businesses.

This year the *Paying Taxes* publication is being launched in Canada providing a good opportunity for the government and business to engage in constructive discussion around these results and the future developments that can be expected.

The regional analyses
South America

The average Total Tax Rate for 2012 is 52.7% which is higher than the world average of 43.1% and is the second highest of any region apart from Africa.

In 2012, the average time to comply across the South America region is 618 hours, which is significantly higher than the world average of 268 largely driven by Brazil with 2,600 hours and Bolivia with 1,025 hours.

South America remains the region with the highest time to comply, despite the introduction of electronic filing and payment capabilities in several economies.

Consumption taxes have always required the most time to comply in this region.

In 2012, despite the high time to comply, the average of number of payments for this region of 24.2 is slightly below the world average of 26.7. ‘Other’ taxes account for 50% of tax payments in 2012.

Since 2004, a number of fairly small reforms have reduced the average of Total Tax Rate by 4.1 percentage points.

The average time to comply has declined just by 41 hours since 2004, which maintains the region as having the highest average time to comply with almost 350 hours above the world average in 2012.

52.7
Total Tax Rate (%)

618
Time (hours)

24.2
Number of payments

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

The nine year trends for South America

Despite the fact that the region has the highest time to comply of all regions, and the second highest Total Tax Rate, decreases since 2004 have been moderate as shown in Figure 3.54. Between 2009 and 2011 the Total Tax Rate increased by almost one percentage point before falling again in 2012. Of the three sub-indicators, the number of payments has shown the greatest decline, in percentage terms, and has been below the world average since 2005.

In South America the Total Tax Rate varies greatly between the 12 economies included in the region, with the maximum Total Tax Rate being 107.8% in Argentina and the lowest Total Tax Rate being 27.7% in Chile. Five economies, including Argentina, have a Total Tax Rate over 60%.

Since 2004 the region's average Total Tax Rate has always been above the world average. Only Paraguay and Uruguay have shown significant reductions in Total Tax Rate during the period. Between 2004 and 2006 Paraguay's Total Tax Rate fell by 19.4 percentage points due to changes in profit taxes. Uruguay has abolished its sales tax and reduced 'other' taxes resulting in an overall reduction of 29.4 percentage points in its Total Tax Rate since 2004.

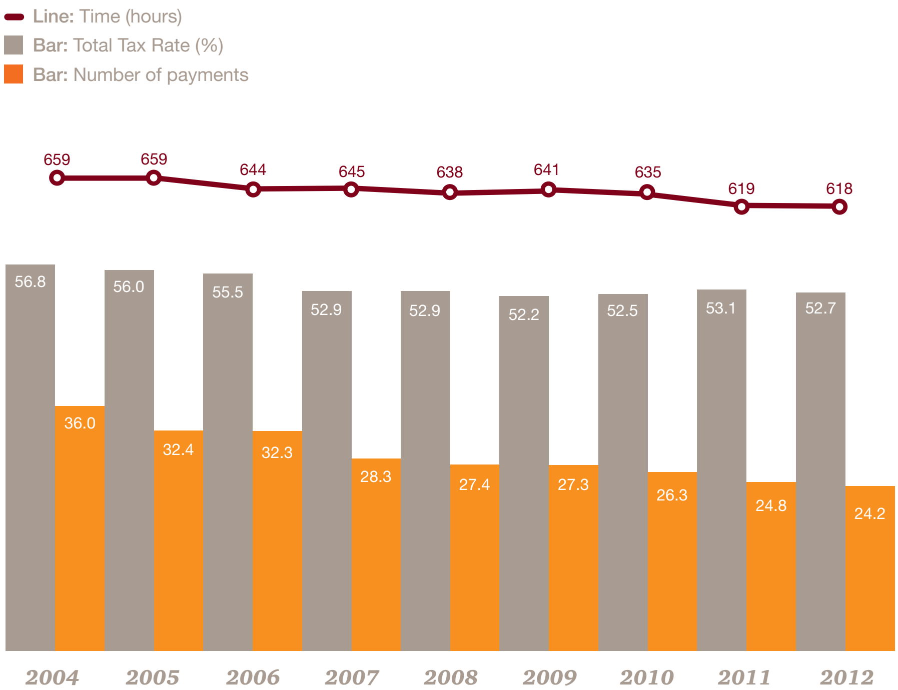
Between 2009 and 2011 half the economies in the region increased their Total Tax Rate. Over this period, República Bolivariana de Venezuela increased its rate significantly by ten percentage points driven largely by doubling its municipal economic activities tax.

The average time to comply in the region is 618 hours, which is the highest average of any region and more than double the world average. This high average is driven by four economies (Bolivia, Brazil, Ecuador and República Bolivariana de Venezuela). As shown in Figure 3.50, the average time to comply for the region has reduced by just 41 hours since 2004.

The average number of payments for this region at 24.2 is the only sub-indicator which is below the world average. But the range of results is very diverse across the region. In half the economies the case study company makes more payments than the world average, while in the other economies it makes fewer payments. Since 2004 the average number of payments has fallen steadily by a total of 11.8 payments.

Figure 3.54

The sub-indicator trends for South America

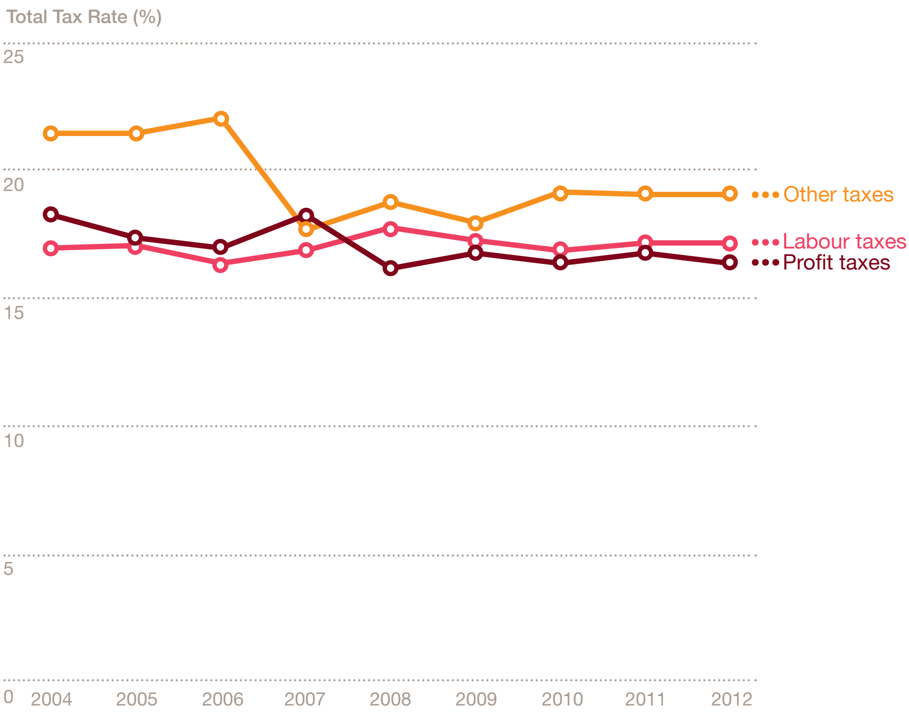


The 12 South American economies have all participated in all years of the *Paying Taxes* study and are therefore all included in the trend analysis.
Source: PwC *Paying Taxes* 2014 analysis

All three sub-indicators have fallen over the nine years of the study, but the rate of decline has been slow in recent years

Figure 3.55

Trend in Total Tax Rate in South America by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Since 2004, profit taxes and 'other' taxes have fallen, while labour taxes have risen marginally

The Total Tax Rate in South America

Figure 3.55 shows how the Total Tax Rate breaks down into the three main components of profit taxes, labour taxes and 'other' taxes. From 2008 the proportions accounted for by these components have changed very little. Profit taxes account for the lowest proportion, followed by labour taxes with 'other' taxes being the largest element. This shows a very different emphasis from the global position where labour taxes are now the largest and 'other' taxes the smallest, but the trends in the tax rates for profit taxes and labour taxes have been similar to the global trends.

The labour tax average has been the most stable over the nine years of the study. Six of the twelve economies in the region have shown changes in the labour tax element of their Total Tax Rates since 2004, but the changes are generally small and arise from changes in the rate or the thresholds of labour taxes and social security contributions. The main drivers of the region's changes in the period from 2006 to 2008 are changes to various labour taxes and social security contributions in Brazil and Uruguay.

The profit tax element of the Total Tax Rate fluctuated significantly during the period, but overall has fallen on average by 1.9 percentage points since 2004. Prior to 2008, profit taxes accounted for a greater proportion of the Total Tax Rate than did labour taxes. Since 2008 profit taxes accounted for a smaller proportion of the Total Tax Rate than labour taxes, which is consistent with the global trend. The decrease in profit taxes between 2004 and 2006 was driven largely by Paraguay reducing its corporate income tax rate, with a total fall of 19.5 percentage points in the profit tax component of its Total Tax Rate.

Figure 3.56

Significant movements in Total Tax Rate between 2011 and 2012 – South America

Source: PwC *Paying Taxes* 2014 analysis

The rise in the profits tax Total Tax Rate between 2006 and 2007 can be attributed to increases in Uruguay and República Bolivariana de Venezuela. In Uruguay changes to the corporate income tax regime increased the profit tax element of the Total Tax Rate by 12.2 percentage points, although there was no change in the statutory rate of corporate income tax. In the following year, this statutory rate fell from 30% to 25% accounting for a significant part of the overall fall in the average profit tax rate for the region.

For the nine years of the study ‘other’ taxes have been largest component of the Total Tax Rate in South America, and these taxes have also seen the largest changes. One significant change was the abolition of a sales tax (COFIS) in Uruguay in 2007. The República Bolivariana de Venezuela has been responsible for other significant changes as it has, since 2004, introduced several taxes, abolished a tax on financial transactions, and doubled the municipal economic activies tax.

As shown in Figure 3.56 in 2012 Guyana reduced its corporate income tax rate from 45% to 40% for commercial companies and from 35% to 30% for non-commercial companies.

Only Guyana has shown a significant movement in its Total Tax Rate in 2012

The fall in time to comply has been small and driven by just two economies

The time to comply in South America

Figure 3.57 shows the breakdown in the time to comply since 2004 split by the type of tax. Consumption taxes have consistently required the most time to comply which is consistent with the global picture. These taxes have needed almost 50% of the total hours used in paying taxes in South America, which is above the global average for the proportion of time required for consumption taxes. Also consistent with the global trends, the time to comply with labour taxes has fallen the most.

Of the 12 economies in this region, there are 8 with electronic filing systems that are used by the majority of companies. Bolivia and República Bolivariana de Venezuela both have electronic filing and payment systems, but these are not available for all taxes and are not yet used by the majority of taxpayers. The introduction of electronic filing and payment systems however has not led to the substantial drop in time to comply that we have seen in many other regions.

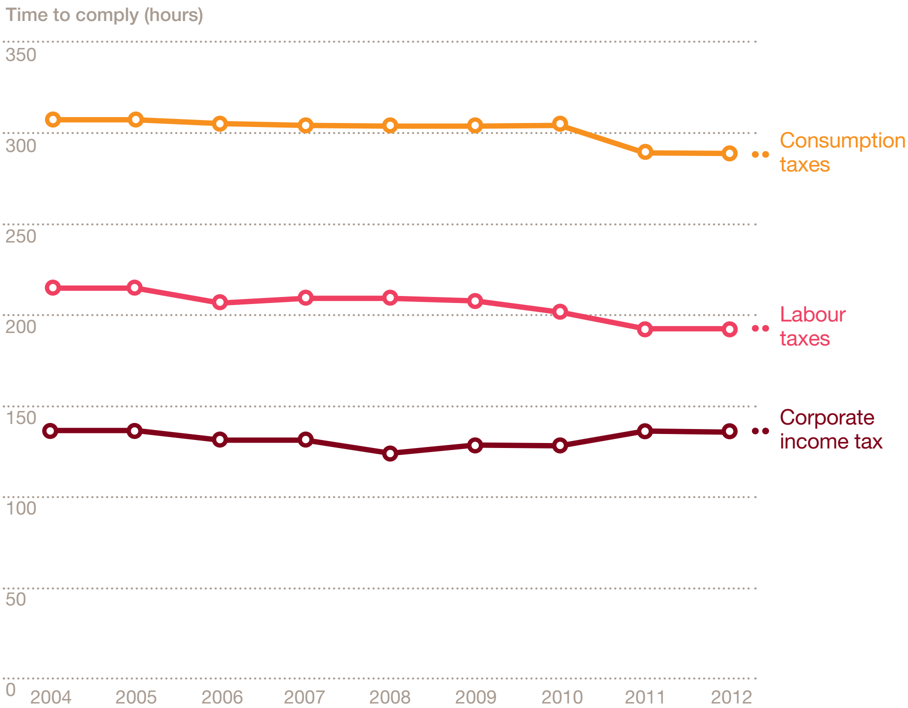
Colombia has been the economy in the region with the greatest reduction in the time to comply, falling by 253 hours since 2004. A substantial fall was recorded in 2006 followed by smaller reductions in subsequent years as electronic systems were improved and increasingly became used by the majority of businesses for specific taxes or sizes of company. The reduction was evident across all three types of tax.

The next most significant decline in time to comply has been seen in Peru where the sub-indicator has gradually fallen by a total of 131 hours since 2007. Again this is largely due to the introduction and increased use of electronic filing and payment, and tax software.

In the last year the movement in the time to comply has been very small with no significant changes to highlight.

Figure 3.57

Trend in time to comply in South America by type of tax



Source: PwC *Paying Taxes* 2014 analysis

The number of payments in South America

Figure 3.58 shows the breakdown in the number of payments since 2004 split by the type of tax. In this region 13% of the sub-indicator for the number of payments relates to profit taxes, 37% to labour tax payments and the remaining 50% to payments of 'other' taxes. In the region all 12 economies have VAT or a sales tax which is paid monthly. In República Bolivariana de Venezuela the case study company must also make monthly payments of property tax.

Most of the economies in this region have one profit tax payment per year under the *Paying Taxes* methodology, but República Bolivariana de Venezuela significantly increases the average with 13 payments.

In Uruguay, from 2011, it has been possible to pay corporate income tax, VAT and capital tax jointly, resulting in a drop of 24 payments. Furthermore, in Uruguay, as in the majority of the economies, social security contributions and labour taxes can be paid jointly. Only Colombia and Argentina have had larger reductions in payments than Uruguay due to the introduction and adoption of online filing and payment systems.

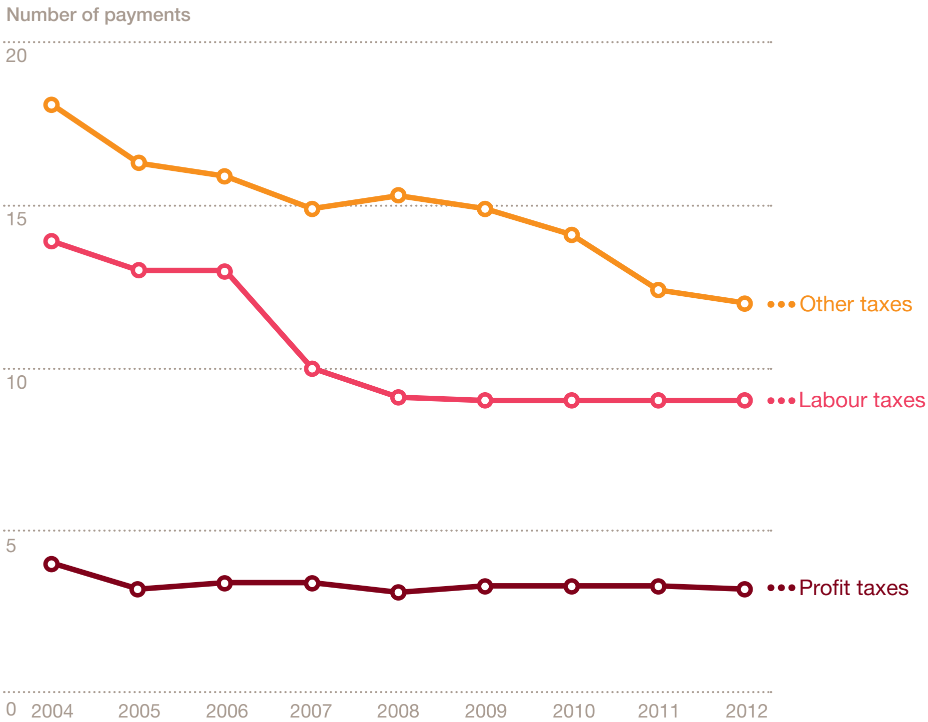
As with the global trend, the average of number of payments of labour taxes has fallen significantly, reducing from 13.9 payments in 2004 to 9.0 payments in 2009. This fall is due largely to the implementation in Colombia of an integrated form for online social security contribution payments unifying in a single online payment all contributions to Social Security, the Welfare Security System and Labour Risk Insurance. The number of labour tax payments has not changed since 2009.

In Paraguay, as shown in Figure 3.59, the number of corporate income tax and VAT payments has reduced due to the introduction half way through 2012 of electronic filing and payment systems.

Labour taxes and 'other' taxes have driven the fall in payments in this region

Figure 3.58

Trend in the number of tax payments in South America split by type of tax



Source: PwC *Paying Taxes* 2014 analysis

Figure 3.59

Significant movements in the number of tax payments between 2011 and 2012 – South America

Source: PwC *Paying Taxes* 2014 analysis

Bolivia

Bolivia is collecting more tax, but there is a high compliance cost

Eduardo Aramayo
PwC Bolivia

1986 was a turning point for tax in Bolivia. In that year Law 843 was approved which implemented profound fiscal reform and established a modern tax system in Bolivia. While this tax reform has been modified over recent years, these modifications have not distorted the main objective of the original law to create a coherent and unified tax system. Since 2005, tax collections have grown steadily and have become an important part of government revenues. This increase in tax collections has however imposed a substantial compliance burden. At 1,025 hours Bolivia has the second highest time to comply of any economy in the study, it has one of the highest Total Tax Rates and only 29 economies have more tax payments, in view of a lack of the use of electronic filing and payment.

The Bolivian tax system has been strongly impacted by the Bolivian Tax Code (BTC) which was approved in 2003. It established a set of mechanisms that helped with the inspection, control and verification of taxpayers by the tax authorities.

The new Bolivian State Political Constitution approved in early 2009 changed the structure of the Bolivian state from a single national government to a structure with different levels of government (e.g. municipal, departmental and central governments). These levels of government each have the capacity to create, manage and collect their own taxes in accordance with the 'law of creation of taxes', though to date the exercise of this power has been limited. The changes to the constitution have also opened up the possibility for the Bolivian government to change the essential principle of taxation from a territorial basis towards a worldwide tax system, though again there has been little practical change in this area. If these changes were to result in new laws being made in practice, it could increase the complexity of the Bolivian tax system still further.

83.4
Total Tax Rate (%)

1025
Time (hours)

42
Number of payments

In another move which could increase complexity, legislators have also approved laws that allow new taxes to be levied on economic activities not previously captured. Bolivia now has taxes that arise on participation in gambling, business promotions and financial transactions in foreign currency. In addition, the Bolivian government has approved laws to apply additional income taxes (i.e. surtax) to specific industries which have demonstrated economic growth such as the mining and financial services sectors.

Further changes to tax legislation are currently going through the legislative approval process. This includes a new law on mining, changes to the commercial code and other changes that will bring new formal and material tax obligations. There is also the potential for Bolivia to apply new transfer pricing regulations in the short to medium term, along with anti-abuse legislation to help further expand tax collection.

One change that has been made to assist taxpayers is the adoption of a mechanism that allows taxpayers to appeal decisions before the tax administration, encouraging an administrative recourse instead of a judicial recourse as taxpayers must settle their tax debts (including the disputed amounts) before they can appeal before the tax court.

In spite of the difficulty of paying taxes in Bolivia, there has been an increase, mainly in legal entity taxpayers, in the number of formally registered taxpayers. The Ministry of Economy has reported that the number of registered taxpayers has increased by nearly 15% during the 2012 fiscal year compared to the previous fiscal year, reaching a level of approximately 302,000 registered active taxpayers. If paying taxes could be made easier, with fewer payments and less time required to comply with tax obligations, it would reduce the tax burden on these taxpayers and may encourage more companies to become registered active taxpayers.

To conclude, Bolivia is going through an important moment in its economic growth cycle and tax collection has played a major role in increasing the revenues available to government. There is however a pressing need to make tax compliance less time consuming in order to ensure that this growth in tax revenues continues, that a tax environment is created that is conducive to economic growth and investment and, finally, that more taxpayers are encouraged to become formally registered.

Colombia

New legislation to refine existing rules and counter tax evasion

Eliana Bernal
PwC Colombia

Many significant changes to the Colombian tax system were introduced at the end of last year. But while modifications made in previous years were clearly reflected in the *Paying Taxes* results, these latest changes do not affect the case study company given its specific fact pattern. The changes largely relate to improving the legislation connected with corporate reorganisations, permanent establishments and thin capitalisation rules; legislation which in some cases was perceived to be operating in a way which had not been anticipated. These latest reforms are an important part of the reform process in Colombia to combat tax avoidance and tax evasion.

Rules concerning certain group reorganisations including mergers and spin-offs, have been tightened to close loopholes and to close down certain tax planning options. This has left only a few well defined instances where the reorganisation of companies can be carried out tax neutrally.

There were also changes to the capital gains tax regime. A 10% withholding rate will now apply if a seller owns an asset for more than two years. These changes have been made to favour direct sales rather than encouraging the complex tax planning arrangements and reorganisations which were sometimes used by companies seeking to avoid the previous 33% rate.

New thin capitalisation rules have also been introduced. The new regime disallows a tax deduction for interest if the debt exceeds three times the net equity at the end of the preceding tax year. However, we see challenges in applying this new legislation as it is not completely clear how the calculation of the non-deductible portion of the interest cost should be performed.

76.0
Total Tax Rate (%)

203
Time (hours)

10
Number of payments

The Congress has implemented several measures to deal with tax evasion. An important addition to legislation now requires that all transactions must have sufficient substance and reality to ensure that any expenses related to a set of transactions can be deducted. The legislation also enables the tax authorities to ignore tax planning structures if their only purpose is to save tax.

So the agenda around tax reform in Colombia is very active, but as mentioned these reforms are not affecting the *Paying Taxes* results which have remained broadly stable for the last three studies. The compliance indicators at 203 hours and 10 payments compare favourably with the global averages and those of the South America region. The Total Tax Rate remains high, including significant elements related to municipal taxes and mandatory contributions which add to the corporate income tax. We can expect some useful discussions when the South American *Paying Taxes* launch is held in Bogota this year.

Methodology and example calculations for each of the Paying Taxes sub-indicators

Paying Taxes records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measuring the administrative burden of paying taxes and contributions. The project was developed and implemented as part of the *Doing Business* project by the World Bank and IFC in cooperation with PwC. Taxes and contributions measured include the profit or corporate income tax, mandatory contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and any other small taxes or fees.

Paying Taxes measures all taxes and contributions that are government mandated (at any level – federal, state or local) and that apply to the standardised business and have an impact in its financial statements. In doing so, *Paying Taxes* goes beyond the traditional definition of a tax. As defined for the purposes of government national accounts, taxes include only compulsory, unrequited payments to general government. *Paying Taxes* departs from this definition because it measures imposed charges that affect business accounts, not government accounts, the main difference relates to labour contributions. The *Paying Taxes* measure includes government-mandated contributions paid by the employer to a requited private pension fund or workers' insurance fund. The indicator includes, for example, Australia's compulsory superannuation guarantee and workers' compensation insurance. For the purpose of calculating the Total Tax Rate (defined below), only taxes borne are included.

For example, value added taxes are generally excluded (provided they are not irrecoverable) because they do not affect the accounting profits of the business – that is, they are not reflected in the income statement. They are, however, included for the purpose of the compliance measures (time and payments), as they add to the burden of complying with the tax system.

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

The World Bank and IFC overall ranking for the ease of paying taxes is the simple average of the percentile rankings for each of the sub-indicators, but a threshold is applied to the Total Tax Rate. The threshold is defined as the highest Total Tax Rate among the top 15% of economies in the ranking on the Total Tax Rate. It is calculated and adjusted on a yearly basis. This year's threshold is 25.5%. All economies with a Total Tax Rate below this threshold receive the same score as the economy at the threshold. The threshold is not based on any economic theory of an "optimal tax rate" that minimises distortions or maximises efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the *Paying Taxes* sub-indicators. This reduces the bias in the sub-indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardised case study company because they raise public revenue in other ways – for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology).

Assumptions about the business

The business:

- Is a limited liability, taxable company. If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. The most common form is reported by incorporation lawyers or the statistical office.

- Started operations on 1 January 2011. 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.

- At the end of 2011, has a start-up capital of 102 times income per capita.

- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.

- At the beginning of 2012, owns two plots of land, one building, machinery, office equipment, computers and one truck and leases one truck.

- Does not qualify for investment incentives or any benefits apart from those related to the age or size of the company.

- Has 60 employees – 4 managers, 8 assistants and 48 workers. All are nationals, and one manager is also an owner. The company pays for additional medical insurance for employees (not mandated by any law) as an additional benefit. In addition, in some economies reimbursable business travel and client entertainment expenses are considered fringe benefits. Where applicable, it is assumed that the company pays the fringe benefit tax on this expense or that the benefit becomes taxable income for the employee. The case study assumes no additional salary additions for meals, transportation, education or others. Therefore, even when such benefits are frequent, they are not added to or removed from the taxable gross salaries to arrive at the labour tax or contribution calculation.

- Has a turnover of 1,050 times income per capita.

- Makes a loss in the first year of operation.

- Has a gross margin (pre-tax) of 20% (that is, sales are 120% of the cost of goods sold).

- Distributes 50% of its net profits as dividends to the owners at the end of the second year.

- Sells one of its plots of land at a profit at the beginning of the second year.

- Has annual fuel costs for its trucks equal to twice income per capita.

- Is subject to a series of detailed assumptions on expenses and transactions to further standardise the case. All financial statement variables are proportional to income per capita. For example, the owner who is also a manager spends 10% of income per capita on travelling for the company (20% of this owner's expenses are purely private, 20% are for entertaining customers and 60% for business travel).

Assumptions about the taxes and contributions

- All the taxes and contributions recorded are those paid in the second year of operation (calendar year 2012). A tax or contribution is considered distinct if it has a different name or is collected by a different agency. Taxes and contributions with the same name and agency, but charged at different rates depending on the business, are counted as the same tax or contribution.

- The number of times the company pays taxes and contributions in a year is the number of different taxes or contributions multiplied by the frequency of payment (or withholding) for each tax. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

The Paying Taxes sub-indicators

Total Tax Rate

The Total Tax Rate measures the amount of taxes and mandatory contributions borne by the business in the second year of operation, expressed as a share of commercial profit. *Paying Taxes* 2014 reports the Total Tax Rate for calendar year 2012. The total amount of taxes borne is the sum of all the different taxes and contributions payable after accounting for allowable deductions and exemptions. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities (such as value added tax, sales tax or goods and service tax) but not borne by the company are excluded. The taxes included can be divided into five categories: profit or corporate income tax, mandatory 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 requited pension fund), property taxes, turnover taxes and other taxes (such as municipal fees and vehicle taxes).

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

The Total Tax Rate calculation for Russian Federation

	RUR '000	RUR '000
Profit before tax (PBT)		**5,006**
Addback above the line taxes borne:		
Social security insurance	286	
Accidents tax	246	
Pension fund contribution	2,169	
Federal obligatory medical insurance fund contributions	503	
Property tax	407	
Transport tax	9	
Land tax	114	
		3,734
Profit before all taxes borne/commercial profit		**8,740**
Corporate income tax on PBT after necessary adjustments	(699)	
Above the line taxes borne	(3,734)	
Total taxes borne		(4,433)
Profit after tax		4,307
Total Tax Rate = Total taxes borne/commercial profit		**50.7%**

Commercial profit is essentially net profit before all taxes borne. It differs from the conventional profit before tax, reported in financial statements. In computing profit before tax, many of the taxes borne by a firm are deductible. In computing commercial profit, these taxes are not deductible. Commercial profit therefore presents a clear picture of the actual profit of a business before any of the taxes it bears in the course of the fiscal year.

Commercial profit is computed as sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other expenses, minus provisions, plus capital gains (from the property sale) minus interest expense, plus interest income and minus commercial depreciation. To compute the commercial depreciation, a straight-line depreciation method is applied, with the following rates: 0% for the land, 5% for the building, 10% for the machinery, 33% for the computers, 20% for the office equipment, 20% for the truck and 10% for business development expenses. Commercial profit amounts to 59.4 times income per capita.

The methodology for calculating the Total Tax Rate is broadly consistent with the Total Tax Contribution framework 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.

In *Paying Taxes* 2014, there has been a methodology change for fuel tax. Fuel taxes are no longer being included in the Total Tax Rate calculation because of the difficulty of computing these taxes in a consistent way across all economies covered. The fuel tax amounts are in most cases very small, and measuring these amounts is often complicated because they depend on fuel consumption. The impact on the Total Tax Rate is not considered to be material, and to ensure consistency in the trends all prior year data has been adjusted. The fuel tax is still included in the number of payments sub-indicator to recognise the existence of the tax.

Tax payments

The tax payments sub-indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment, the frequency of filing and the number of agencies involved for this standardised case study company during the second year of operation. It includes taxes withheld by the company, such as sales tax, value added tax and employee-borne labour taxes. These taxes are traditionally collected by the company from the consumer or employee on behalf of the tax agencies. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.

The number of payments takes into account electronic filing. Where full electronic filing and payment is allowed and it is used by the majority of medium-size businesses in the economy, 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.

Colombia: Number of payments

Tax type	World Bank indicator	Actual payments	Notes
Corporate income tax	1	2	Online filing
Value added tax (VAT)	1	6	Online filing
Municipal tax	1	6	Online filing
Real estate tax	1	1	
Urban boundary tax	1	1	
Financial transactions tax	1	1	
Social security contributions	1	12	Online filing
Welfare security system	0	12	Paid jointly
Labour risk insurance	0	12	Paid jointly
Payroll tax	0	12	Paid jointly
Vehicle tax	1	1	
Stamp duty	1	1	
Fuel tax	1	1	Embedded in payments to third parties
Total	**10**	**68**	

Time

Time is recorded in hours per year. The sub-indicator measures the time taken to prepare, file and pay three major types of taxes and contributions: corporate income tax, consumption tax including value added or sales tax, and labour taxes, including payroll taxes and mandatory contributions. Preparation time includes the time to collect all information necessary to compute the tax payable and to calculate the amount payable. If separate accounting books must be kept for tax purposes – or separate calculations made – the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfil the tax accounting requirements. Filing time includes the time to complete all necessary tax return forms and file the relevant returns at the tax authority. Payment time considers the hours needed to make the payment online or at the tax authorities. Where taxes and contributions are paid in person, the time includes delays while waiting.

Nigeria: Time to comply

	Corporate income tax	Labour taxes	Consumption tax	Total
Compliance process				
Preparation				
Data gathering from internal sources (for example accounting records) if held	120	126	30	
Additional analysis of accounting information to highlight tax sensitive items	120	120	60	
Actual calculation of tax liability including data inputting into software/spreadsheets or hard copy records	40	40	12	
Time spent maintaining/ updating accounting systems for changes in tax rates and rules				
Total	280	286	102	668
Filing				
Completion of tax return forms	8	10	12	
Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office etc	10	12	24	
Total	18	22	36	76
Payment				
Calculations of tax payments required including if necessary extraction of data from accounting records	40	40	12	
Analysis of forecast data and associated calculations if advance payments are required	30	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)	30	48	12	
Total	100	88	24	212
Grand total	**398**	**396**	**162**	**956**

World Bank and IFC's distance to frontier measure

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

The distance to frontier measure is designed to address both shortcomings, complementing the ease of paying taxes ranking. This measure illustrates the distance of an economy to the "frontier," and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on the *Paying Taxes* indicators by any economy since 2004. In *Paying Taxes*, for example, Hong Kong SAR, (China) and Saudi Arabia have achieved the highest performance on the number of payments (3 payments), Maldives on time (0 hours) and Canada on the Total Tax Rate (26.2%).[28]

Calculating the distance to frontier for each economy involves two main steps. First, the *Paying Taxes* indicator's scores are normalised to a common unit except for the Total Tax Rate. Number of payments and time are rescaled to (max − y)/(max − min), with the minimum value (min) representing the frontier – the highest performance on that indicator across all economies since 2004. For the Total Tax Rate, consistent with the calculation of the rankings, the frontier is defined as the Total Tax Rate at the 15th percentile of the overall distribution of Total Tax Rates for all years. Second, for each economy the scores obtained are aggregated through simple averaging into one distance to frontier score. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The maximum (max) and minimum (min) observed values are computed for all economies included in the *Doing Business* sample since 2004 and for all years (from 2004 to 2012). The year 2004 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174). To mitigate the effects of extreme outliers in the distributions of the rescaled data, the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years.

The difference between an economy's distance to frontier score in any previous year and its score on the *Paying Taxes* indicator in 2012 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of paying taxes ranking.

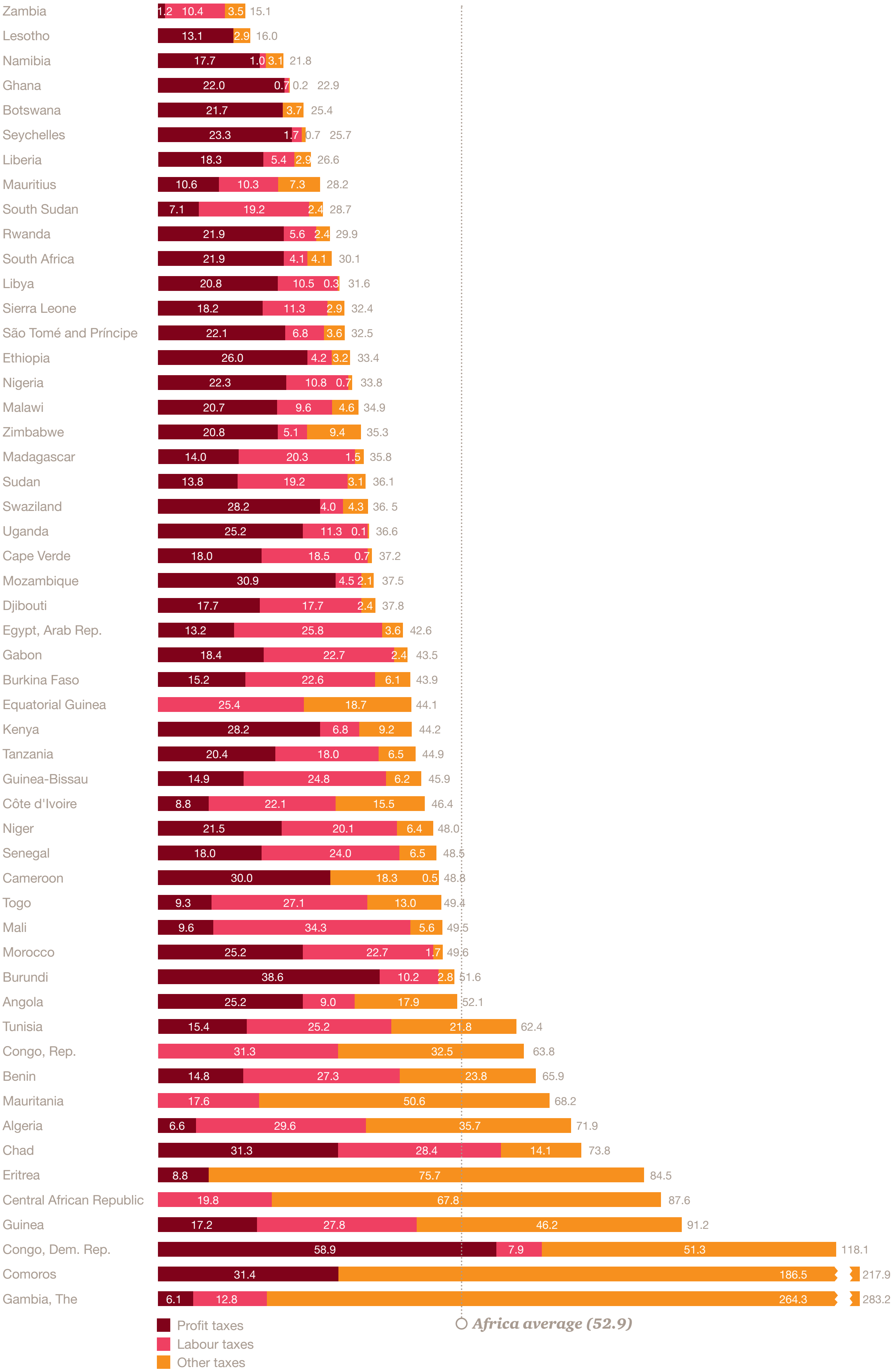
[28] There are economies with lower Total Tax Rate than Canada. However as in the ease of paying taxes, a threshold is applied at the 15 percentile.

Economy sub-indicator results by region

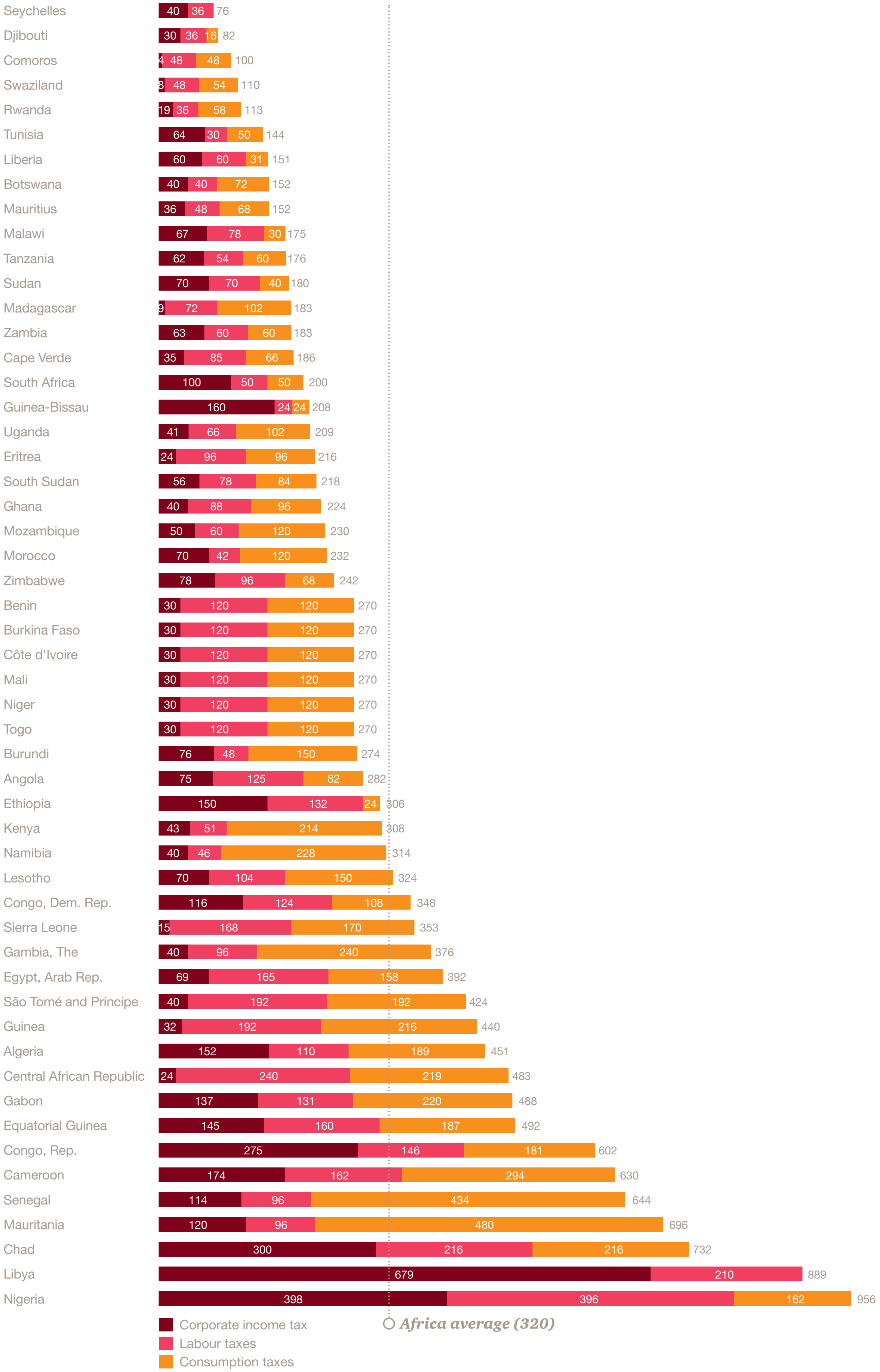
Which economies are most relevant to you? Use our comparative modeller, www.pwc.com/payingtaxesmodeller to create your own comparisons from all the economies and regions.

Economy sub-indicator results by region: Africa

Total Tax Rate (%)

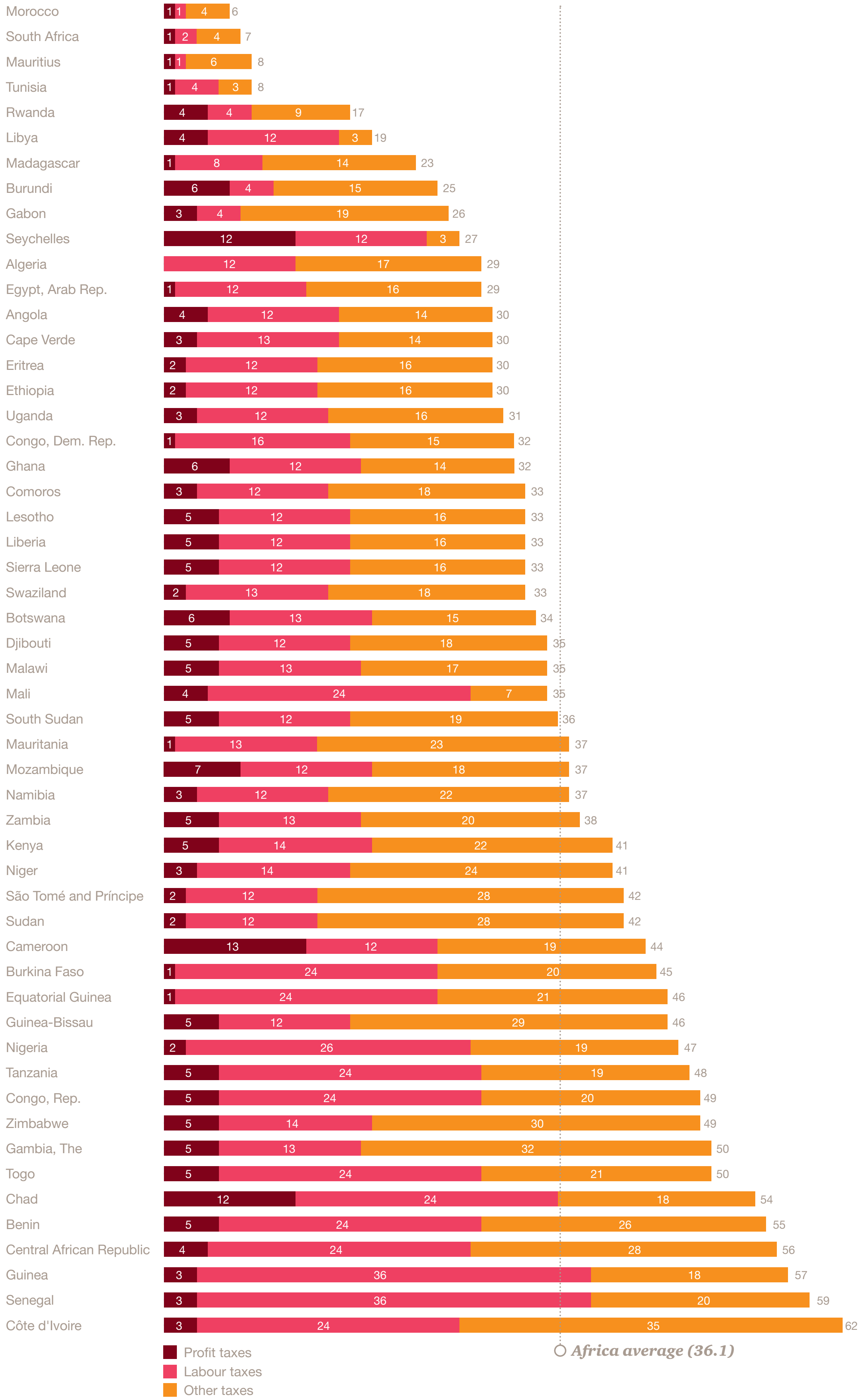


Time to comply (hours)



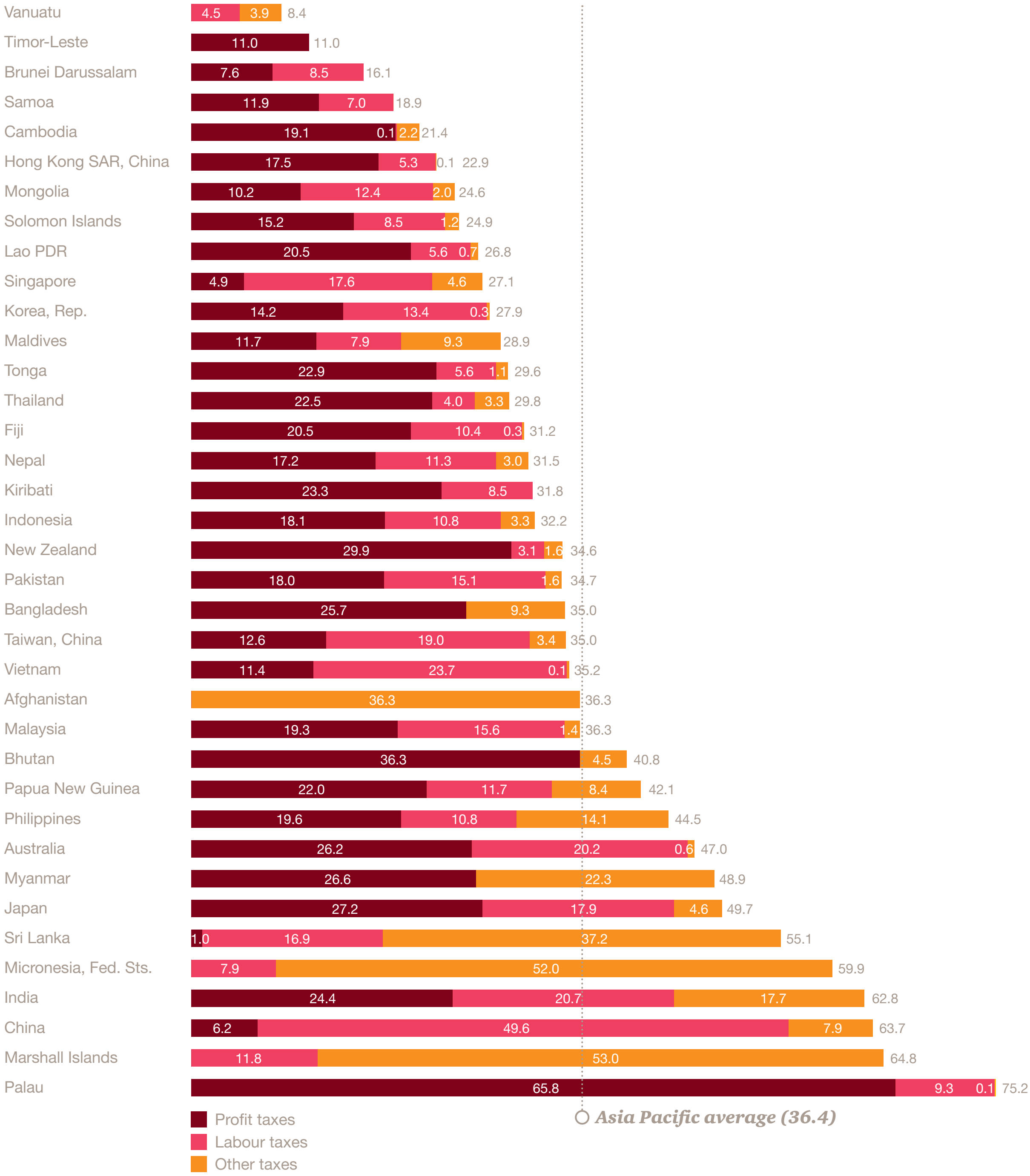
Economy sub-indicator results by region: Africa

Number of payments



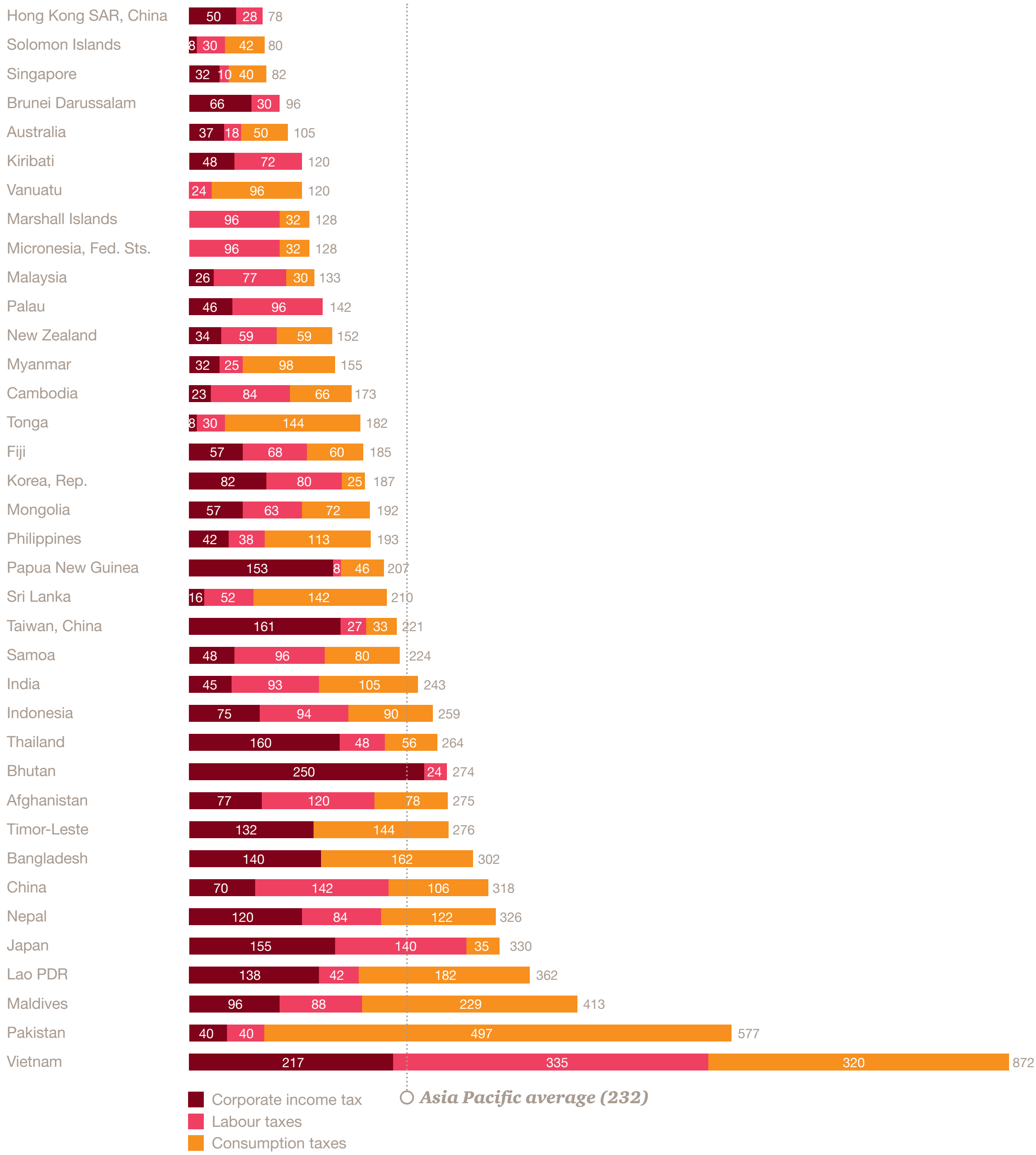
Economy sub-indicator results by region: Asia Pacific

Total Tax Rate (%)



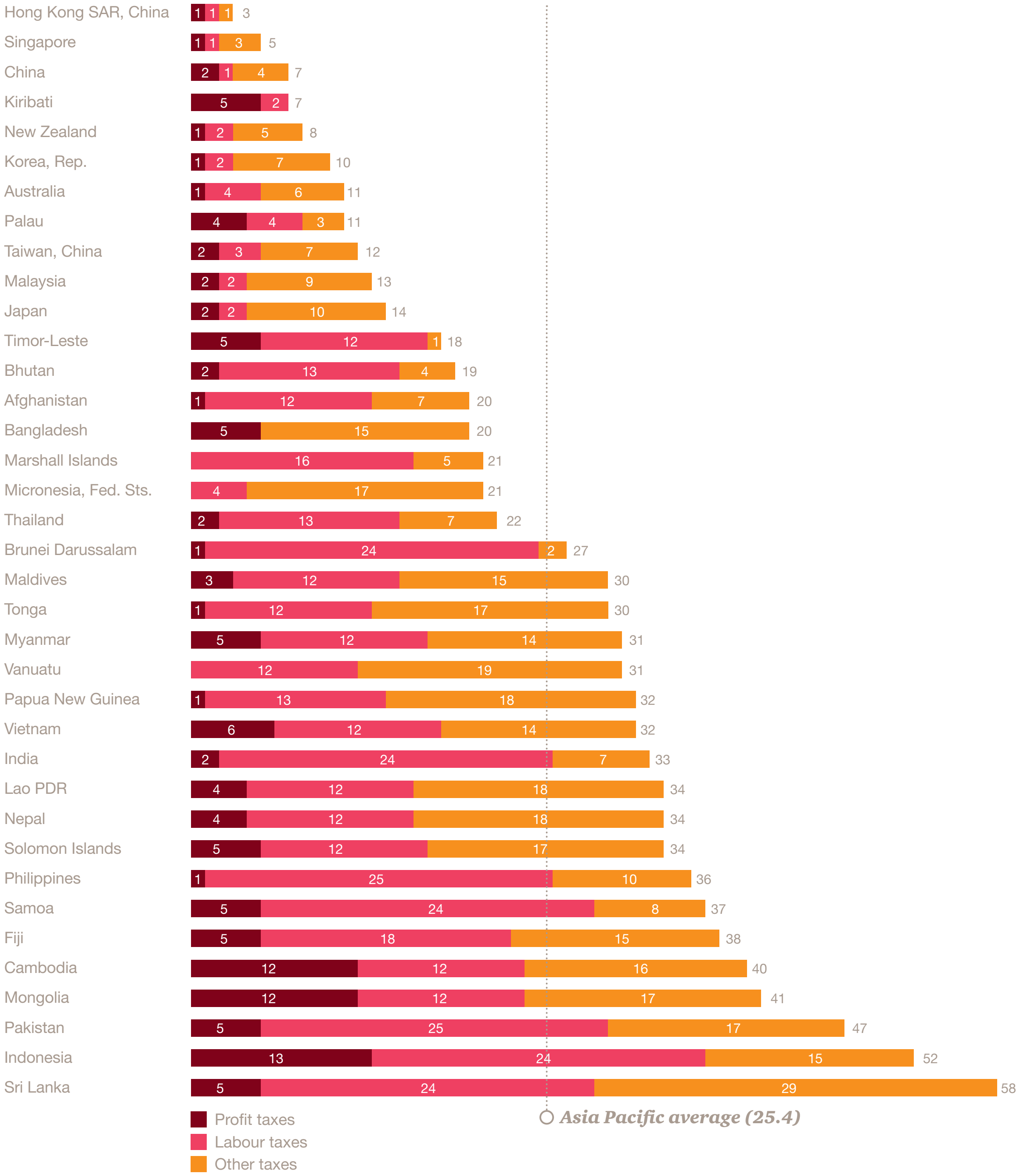
Economy sub-indicator results by region: Asia Pacific

Time to comply (hours)



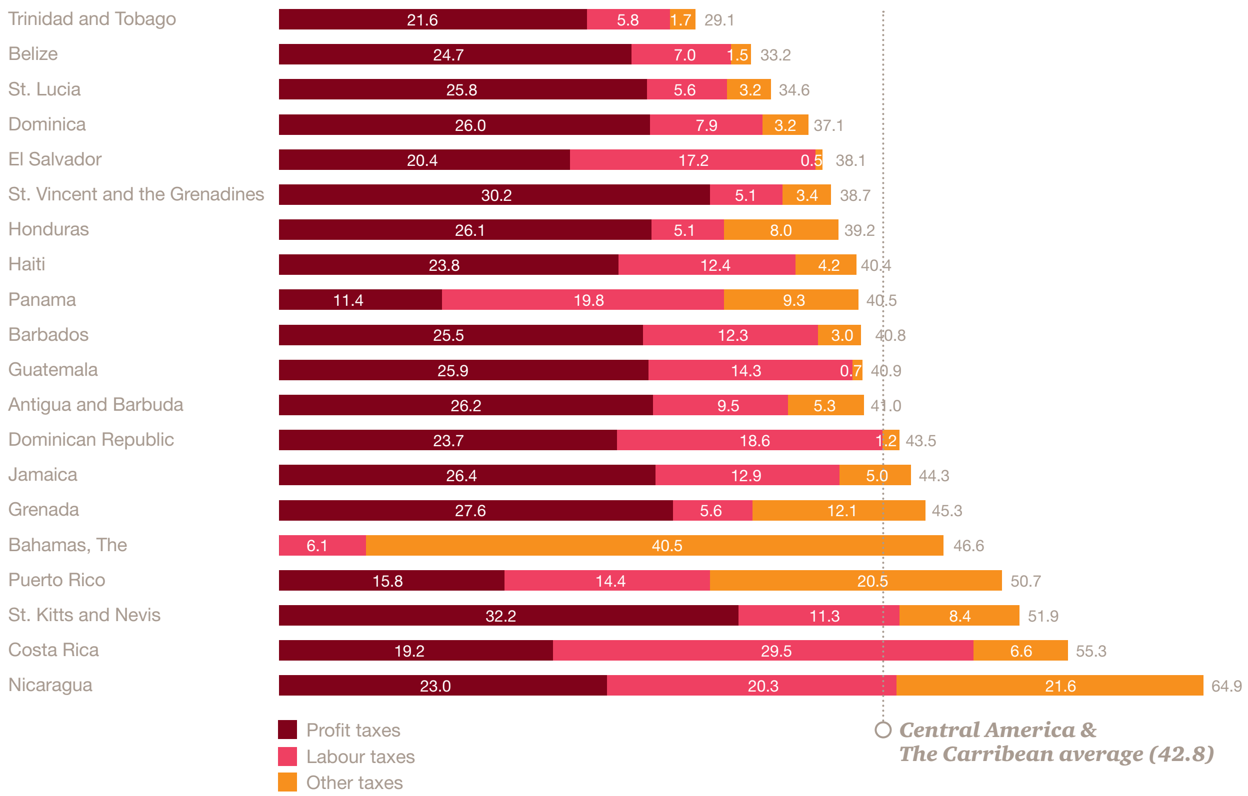
Economy sub-indicator results by region: Asia Pacific

Number of payments

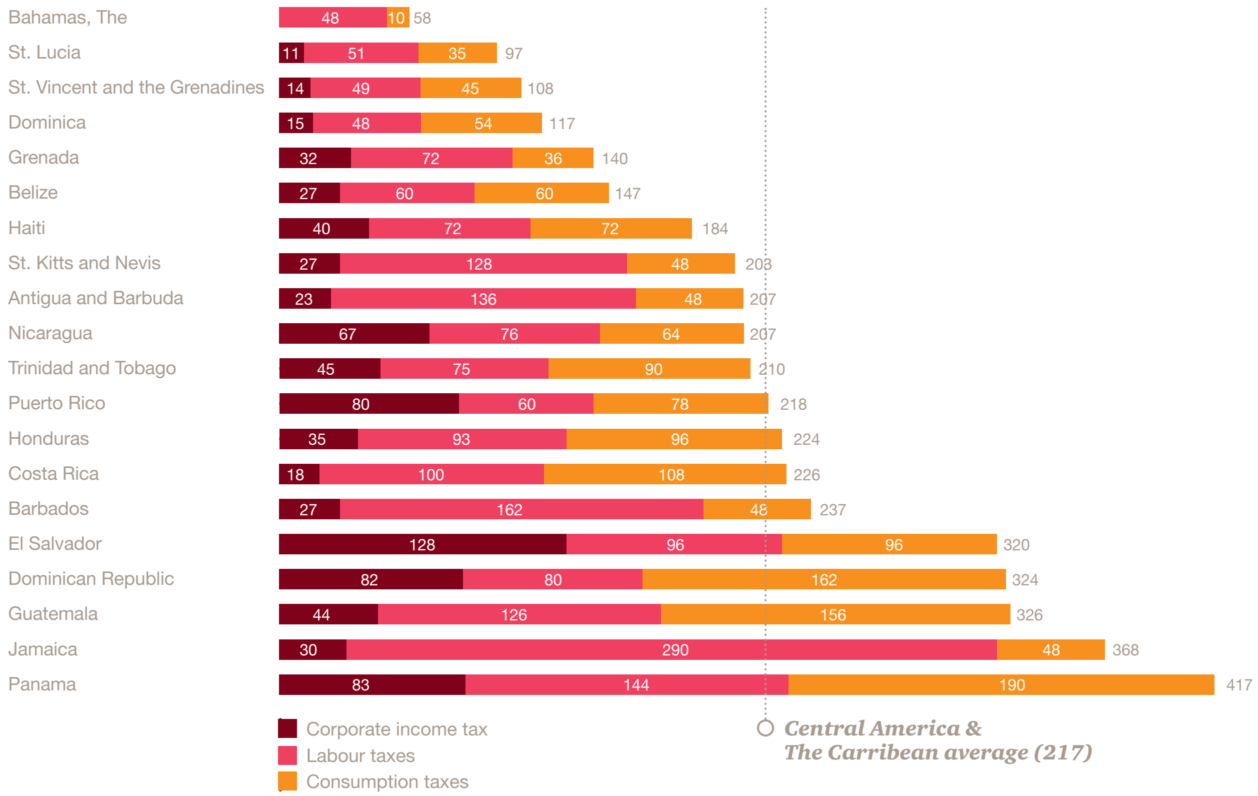


Economy sub-indicator results by region: Central America & The Carribean

Total Tax Rate (%)

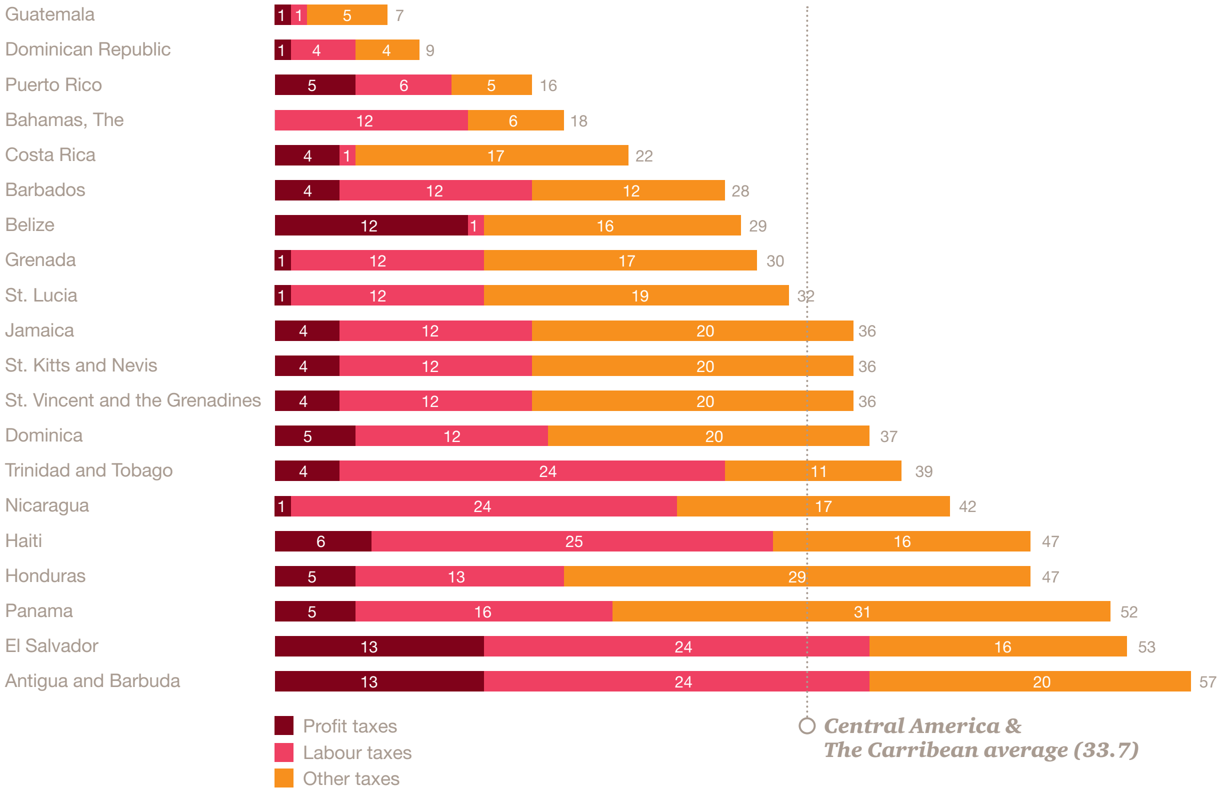


Time to comply (hours)



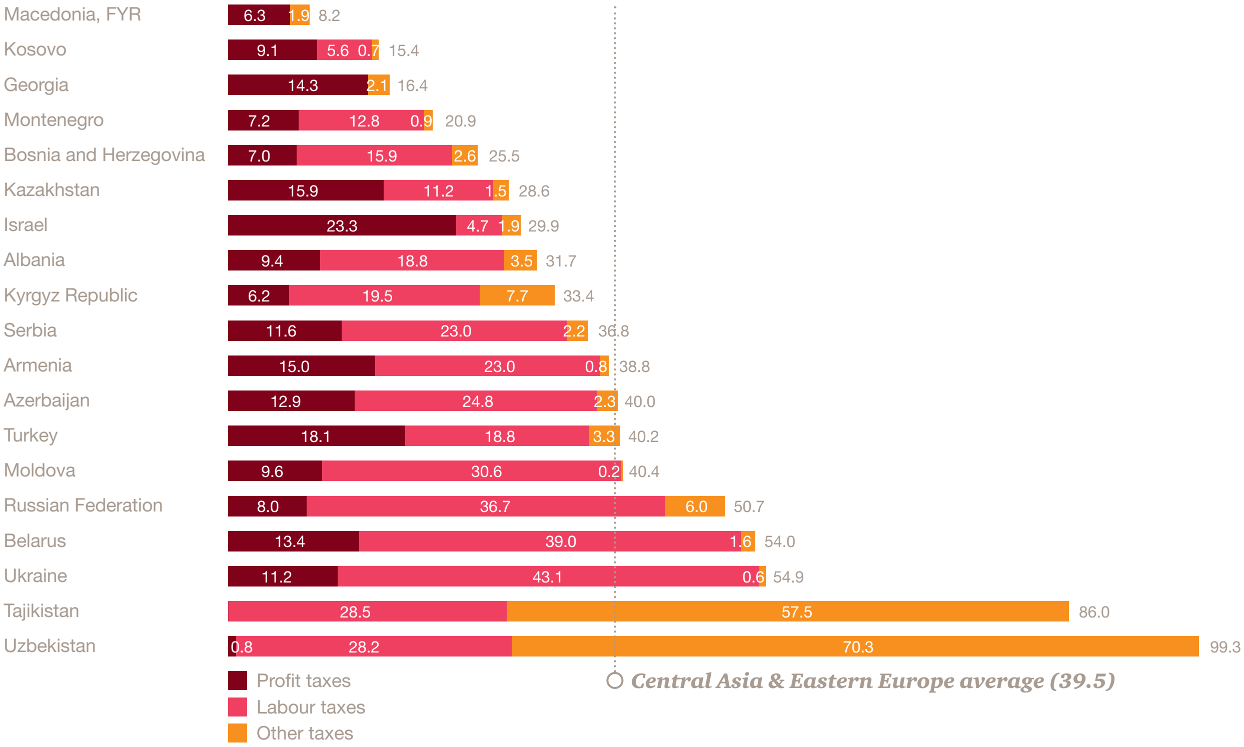
Economy sub-indicator results by region: Central America & The Carribean

Number of payments

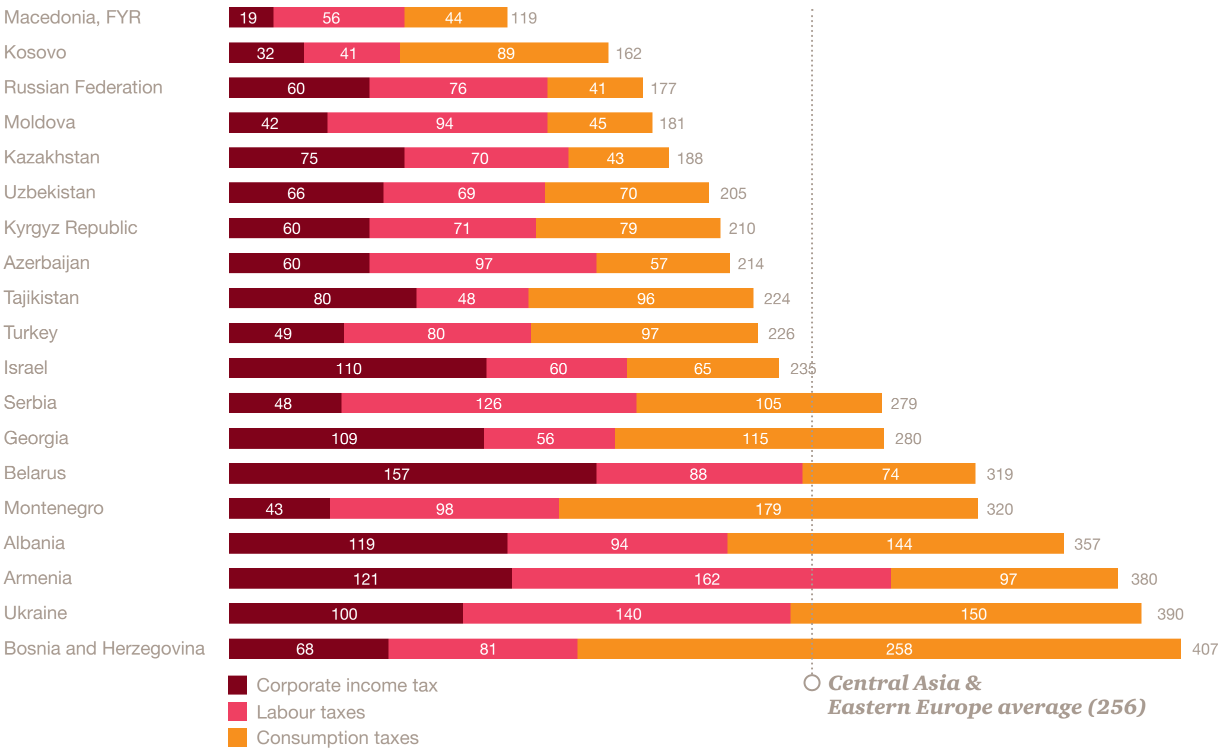


Economy sub-indicator results by region: Central Asia & Eastern Europe

Total Tax Rate (%)

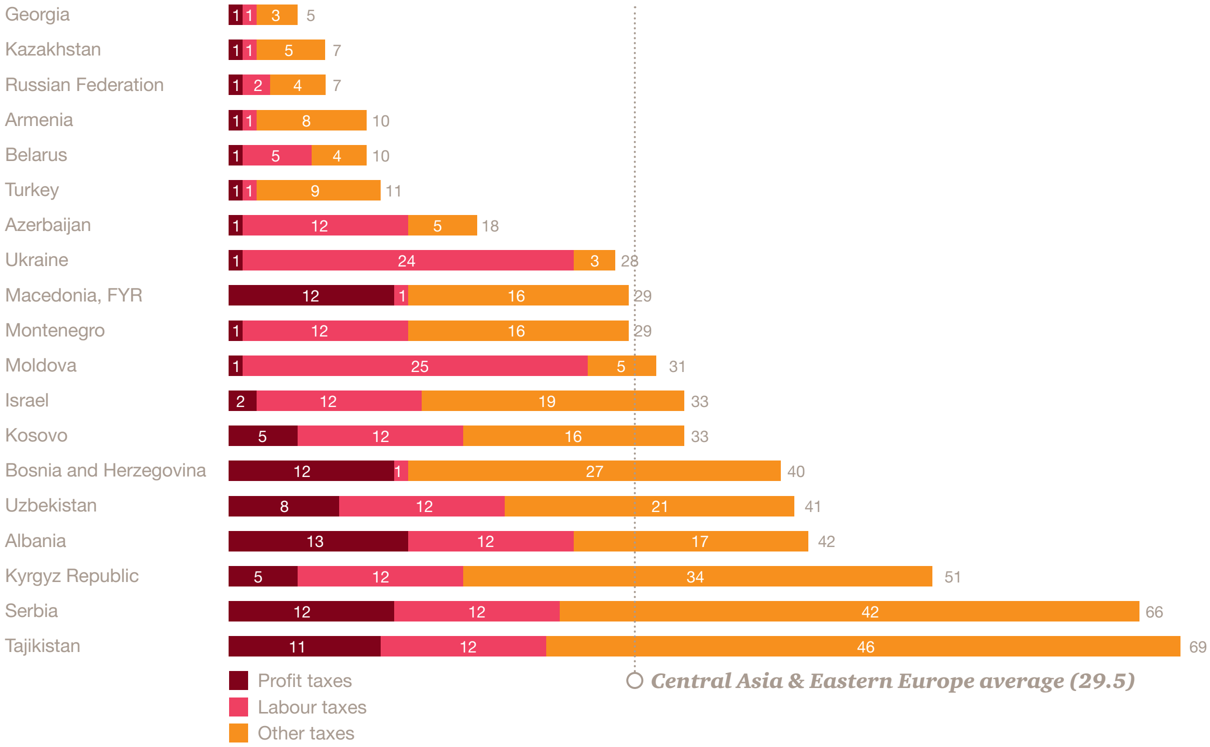


Time to comply (hours)



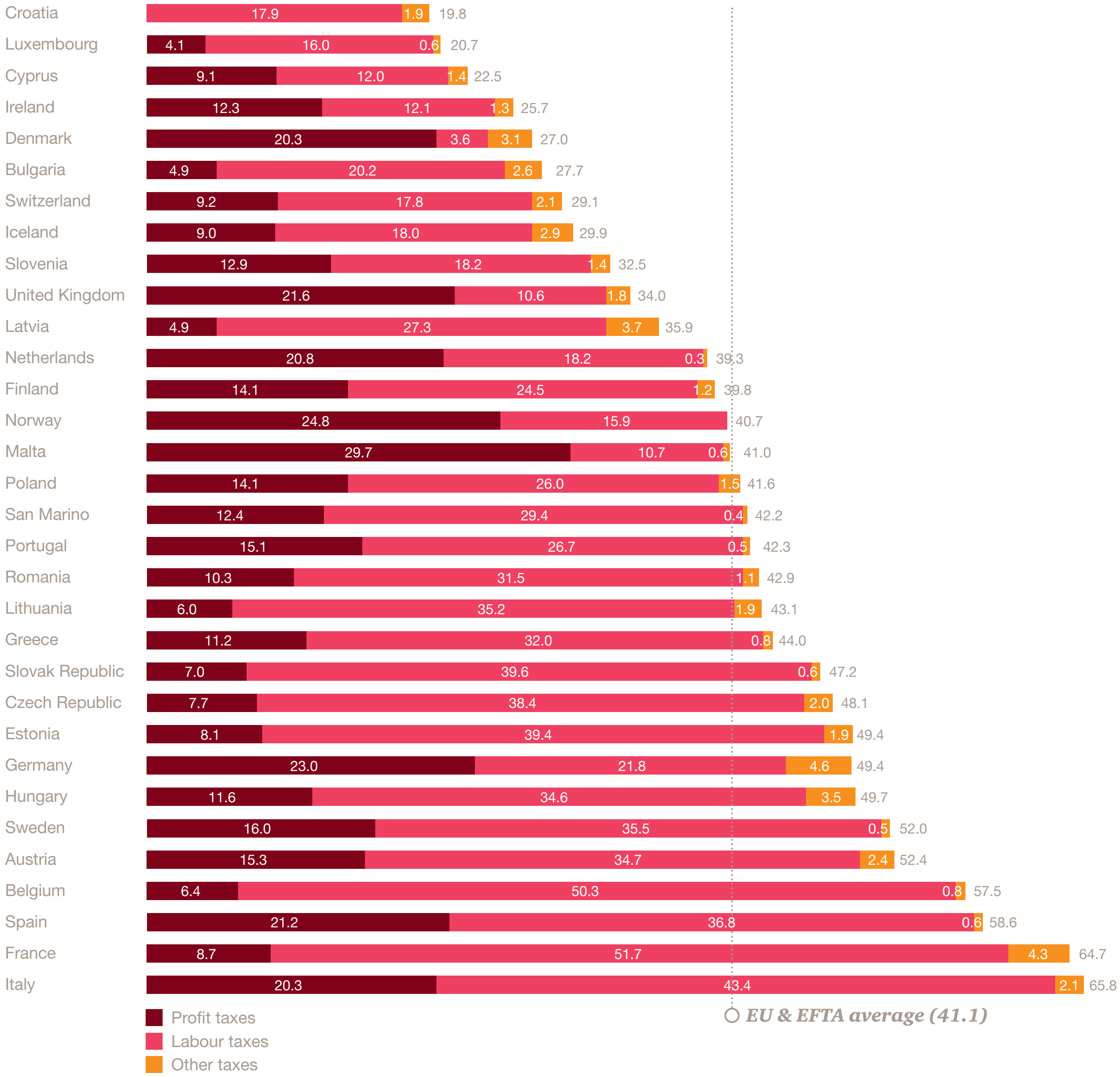
Economy sub-indicator results by region: Central Asia & Eastern Europe

Number of payments



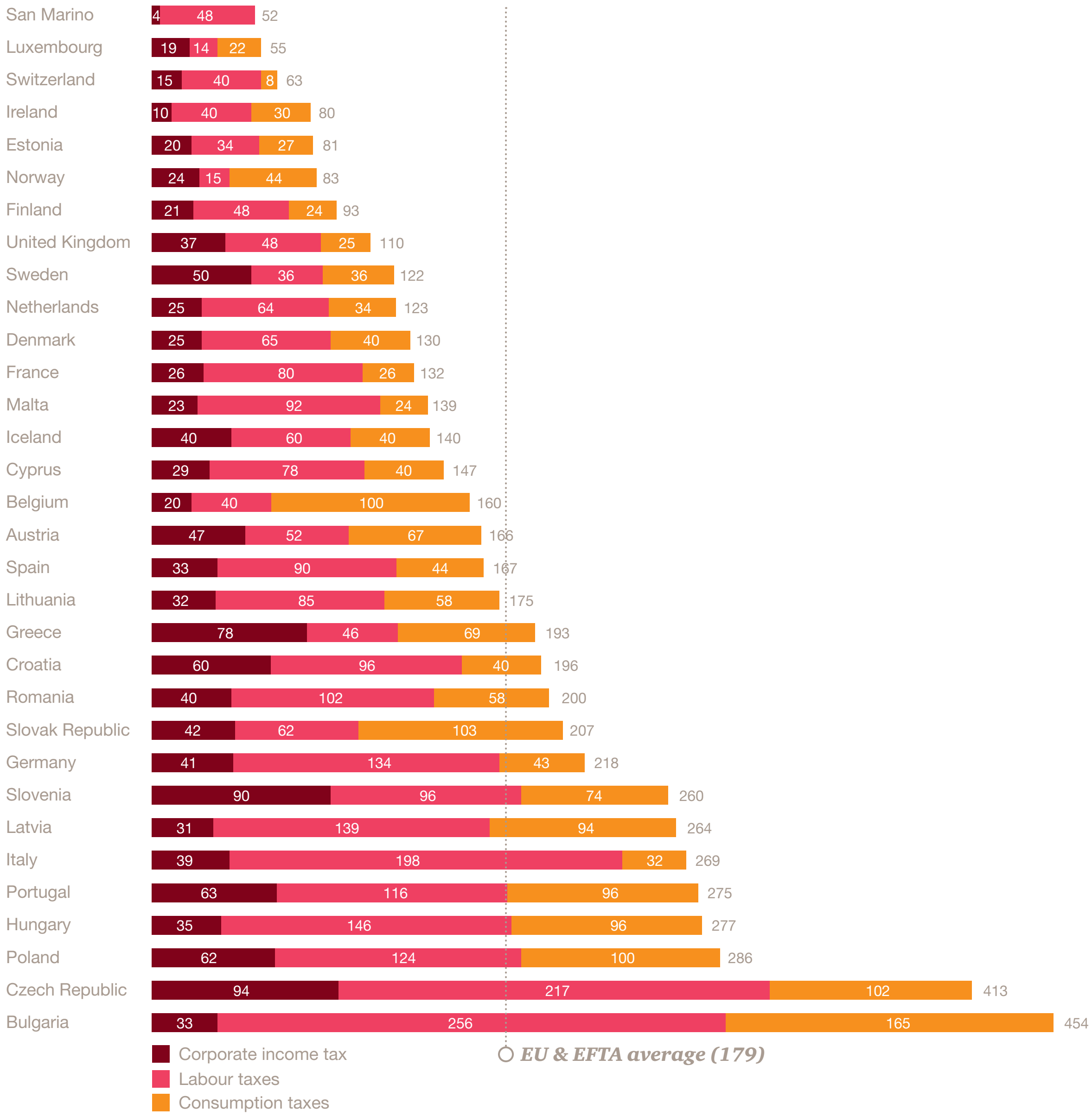
Economy sub-indicator results by region: EU & EFTA

Total Tax Rate (%)



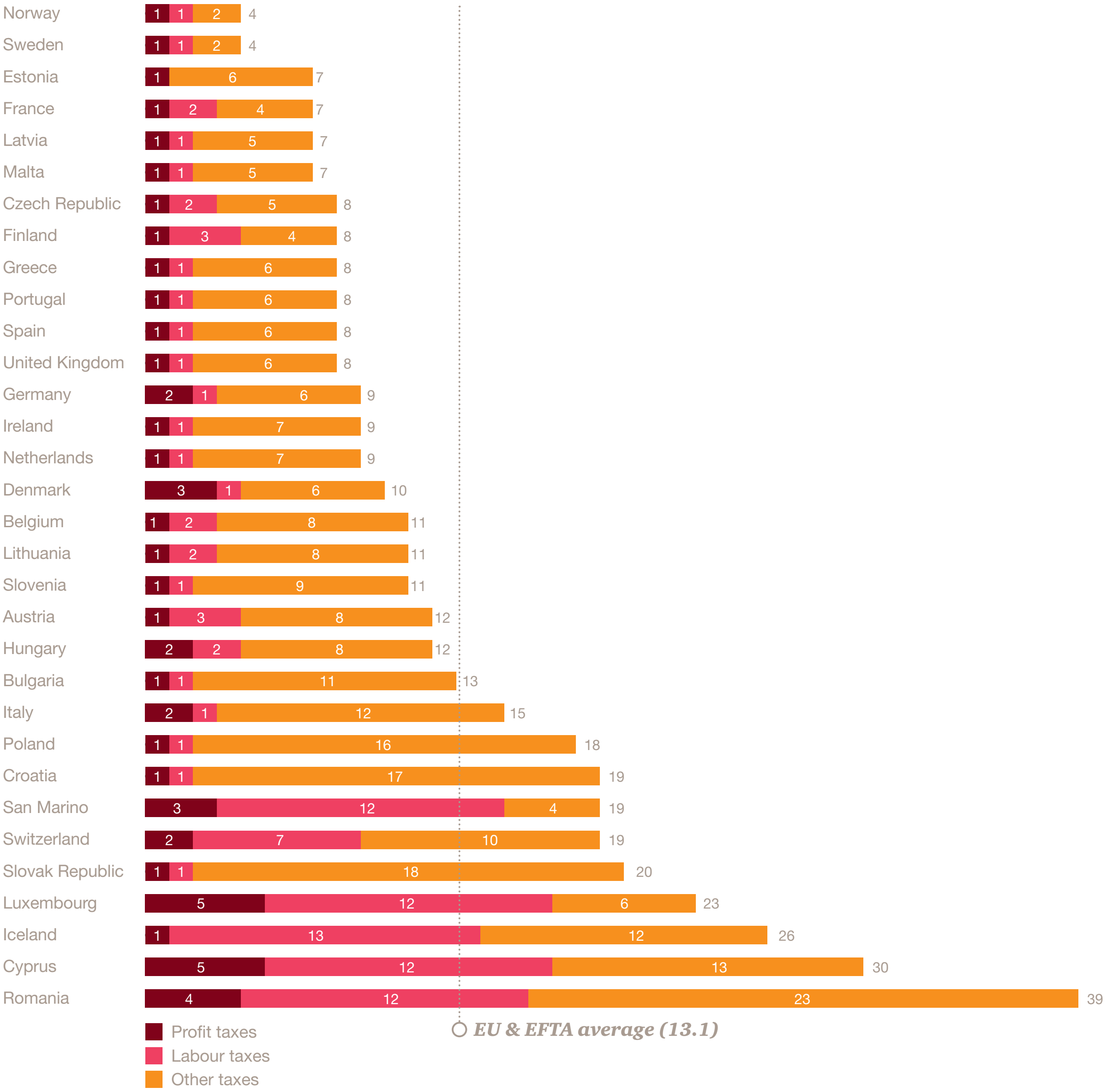
Economy sub-indicator results by region: EU & EFTA

Time to comply (hours)



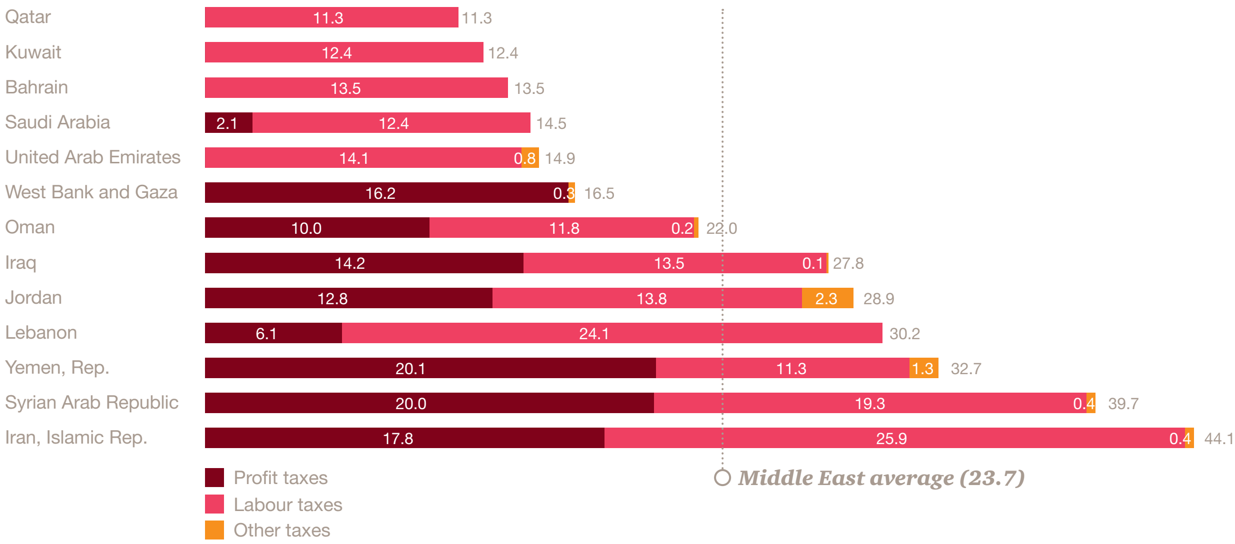
Economy sub-indicator results by region: EU & EFTA

Number of payments

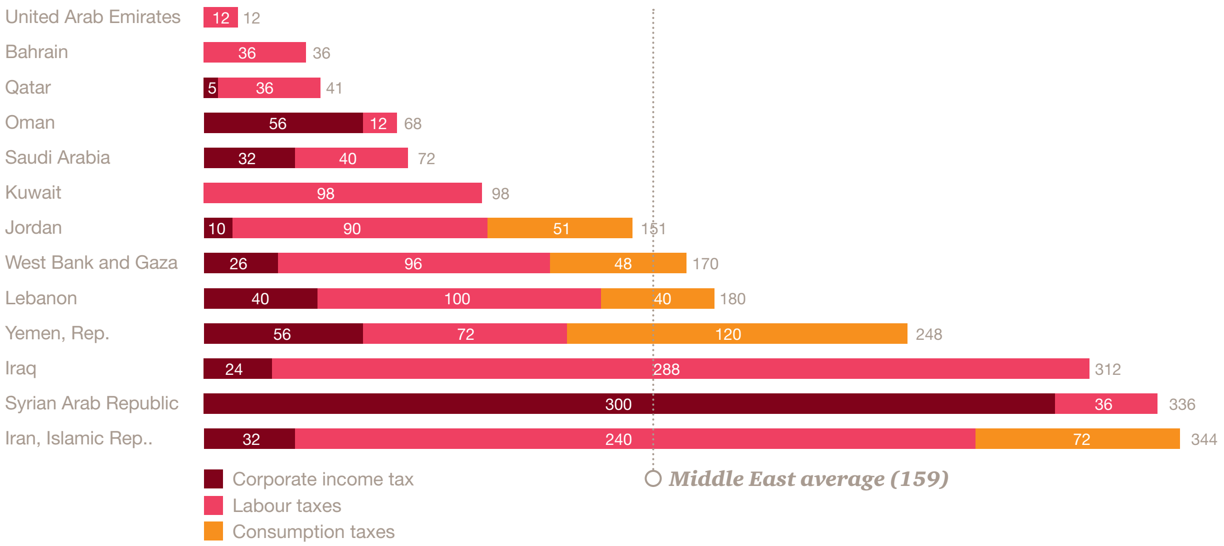


Economy sub-indicator results by region: Middle East

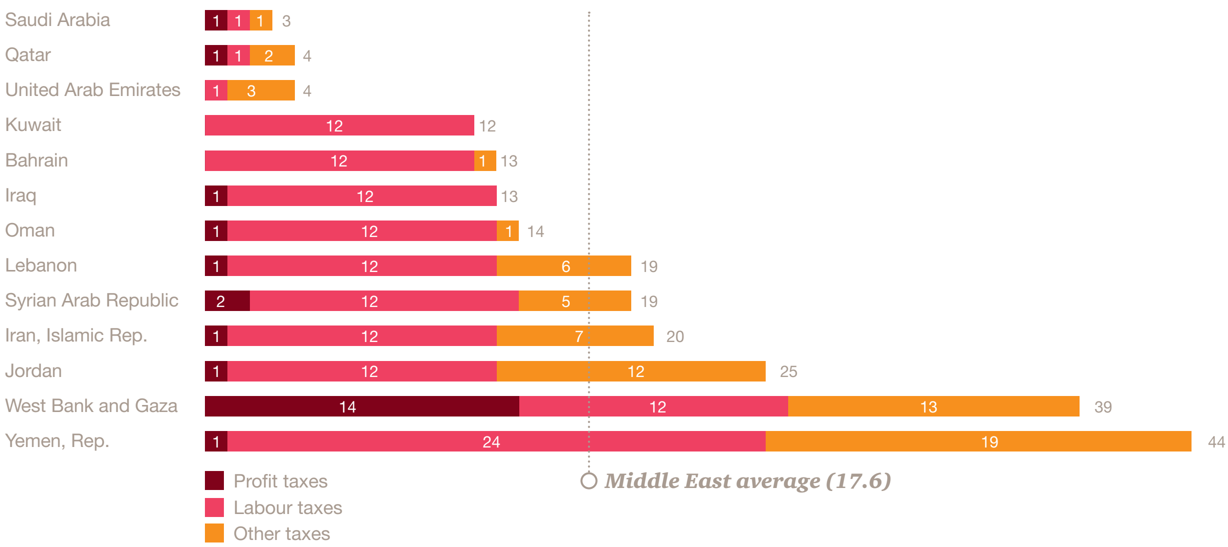
Total Tax Rate (%)



Time to comply (hours)

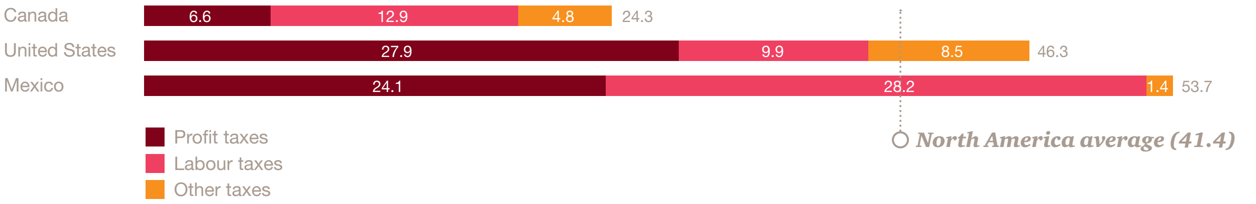


Number of payments

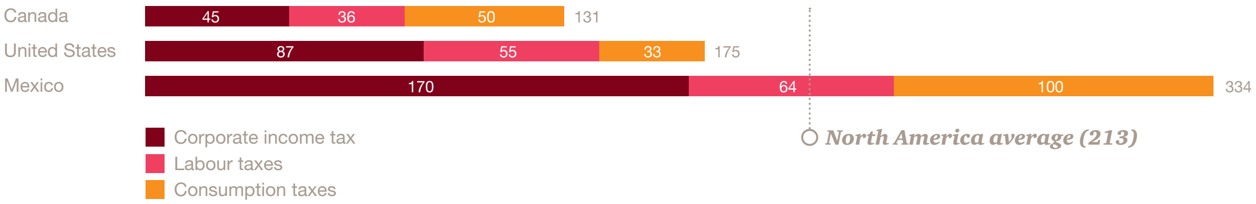


Economy sub-indicator results by region: North America

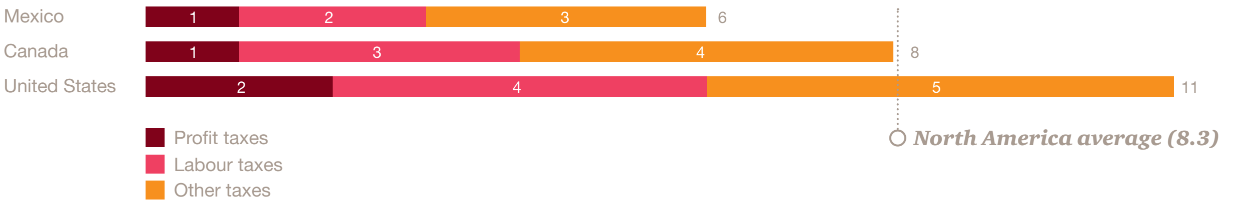
Total Tax Rate (%)



Time to comply (hours)

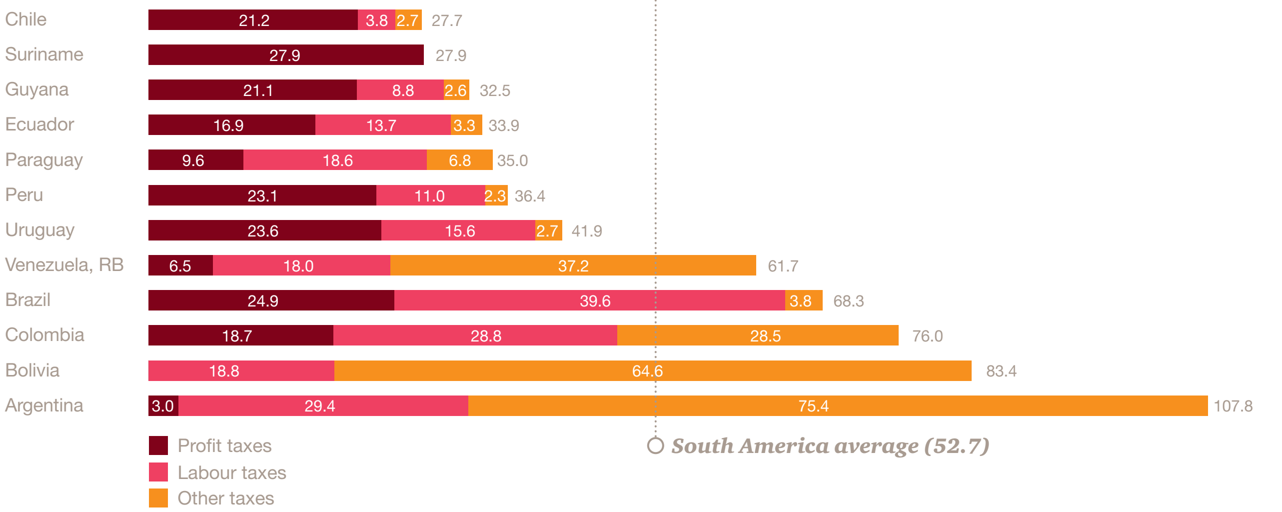


Number of payments

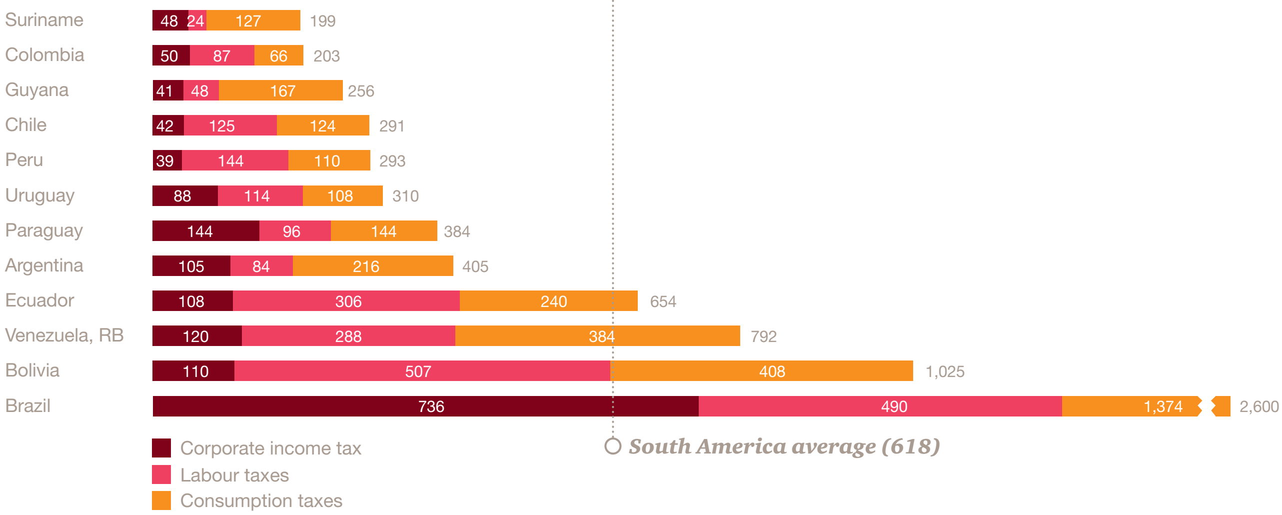


Economy sub-indicator results by region: South America

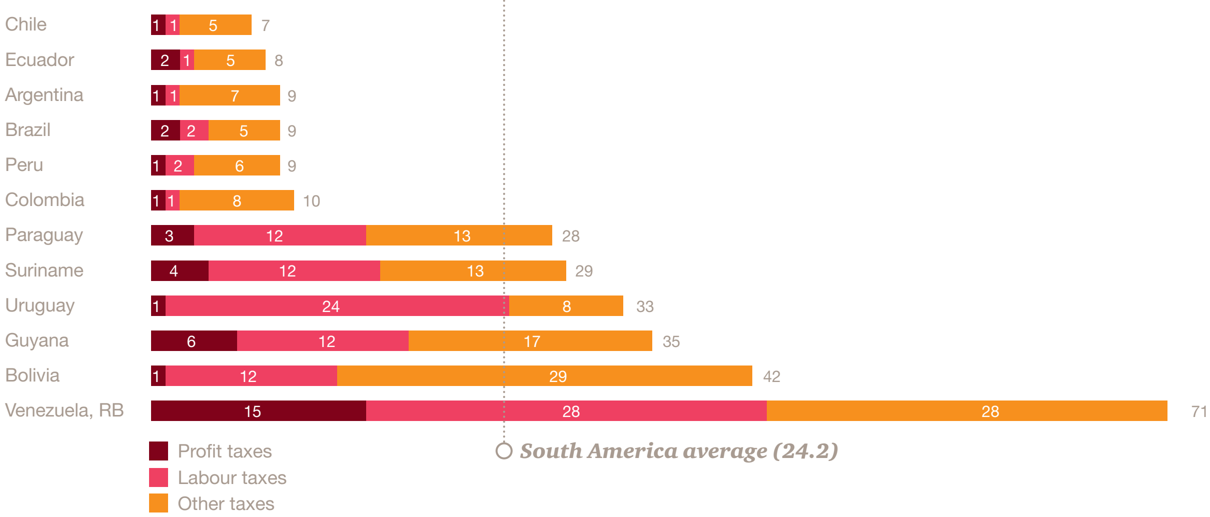
Total Tax Rate (%)



Time to comply (hours)



Number of payments



The data tables

Table 1: Overall *Paying Taxes* ranking

Table 2: Tax payments

Table 3: Time to comply

Table 4: Total Tax Rate

Table 1: Overall Paying Taxes ranking

Table 1: Rankings

Economy	Overall Rank
Afghanistan	98
Albania	146
Algeria	174
Angola	155
Antigua and Barbuda	151
Argentina	153
Armenia	103
Australia	44
Austria	79
Azerbaijan	77
Bahamas, The	45
Bahrain	7
Bangladesh	100
Barbados	112
Belarus	133
Belgium	76
Belize	48
Benin	179
Bhutan	104
Bolivia	185
Bosnia and Herzegovina	135
Botswana	47
Brazil	159
Brunei Darussalam	20
Bulgaria	81
Burkina Faso	160
Burundi	143
Cambodia	65
Cameroon	180
Canada	8
Cape Verde	80
Central African Republic	188
Chad	189
Chile	38
China	120
Colombia	104
Comoros	123
Congo, Dem. Rep.	176
Congo, Rep.	183
Costa Rica	136
Côte d'Ivoire	173
Croatia	34
Cyprus	33
Czech Republic	122
Denmark	12
Djibouti	66
Dominica	75
Dominican Republic	106
Ecuador	91
Egypt, Arab Rep.	148
El Salvador	165
Equatorial Guinea	177
Eritrea	150
Estonia	32

Table 1: Rankings

Economy	Overall Rank
Ethiopia	109
Fiji	88
Finland	21
France	52
Gabon	152
Gambia, The	184
Georgia	29
Germany	89
Ghana	68
Greece	53
Grenada	90
Guatemala	85
Guinea	186
Guinea-Bissau	153
Guyana	110
Haiti	132
Honduras	144
Hong Kong SAR, China	4
Hungary	124
Iceland	37
India	158
Indonesia	137
Iran, Islamic Rep.	139
Iraq	63
Ireland	6
Israel	93
Italy	138
Jamaica	168
Japan	140
Jordan	35
Kazakhstan	18
Kenya	166
Kiribati	10
Korea, Rep.	25
Kosovo	43
Kuwait	11
Kyrgyz Republic	127
Lao PDR	119
Latvia	49
Lebanon	39
Lesotho	101
Liberia	42
Libya	116
Lithuania	56
Luxembourg	15
Macedonia, FYR	26
Madagascar	61
Malawi	81
Malaysia	36
Maldives	115
Mali	157
Malta	27
Marshall Islands	96
Mauritania	181

Table 1: Rankings

Economy	Overall Rank
Mauritius	13
Mexico	118
Micronesia, Fed. Sts.	94
Moldova	95
Mongolia	74
Montenegro	86
Morocco	78
Mozambique	129
Myanmar	107
Namibia	114
Nepal	126
Netherlands	28
New Zealand	23
Nicaragua	163
Niger	162
Nigeria	170
Norway	17
Oman	9
Pakistan	166
Palau	84
Panama	175
Papua New Guinea	116
Paraguay	125
Peru	73
Philippines	131
Poland	113
Portugal	81
Puerto Rico	110
Qatar	2
Romania	134
Russian Federation	56
Rwanda	22
Samoa	86
San Marino	40
São Tomé and Príncipe	156
Saudi Arabia	3
Senegal	182
Serbia	161
Seychelles	19
Sierra Leone	128
Singapore	5
Slovak Republic	102
Slovenia	54
Solomon Islands	30
South Africa	24
South Sudan	92
Spain	67
Sri Lanka	171
St. Kitts and Nevis	145
St. Lucia	45
St. Vincent and the Grenadines	72
Sudan	108
Suriname	50
Swaziland	59

Table 1: Rankings

Economy	Overall Rank
Sweden	41
Switzerland	16
Syrian Arab Republic	120
Taiwan, China	58
Tajikistan	178
Tanzania	141
Thailand	70
Timor-Leste	55
Togo	172
Tonga	51
Trinidad and Tobago	97
Tunisia	60
Turkey	71
Uganda	98
Ukraine	164
United Arab Emirates	1
United Kingdom	14
United States	64
Uruguay	146
Uzbekistan	168
Vanuatu	30
Venezuela, RB	187
Vietnam	149
West Bank and Gaza	62
Yemen, Rep.	129
Zambia	68
Zimbabwe	142

Table 2: Tax payments	Number of payments			
Economy	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments
Afghanistan	20	1	12	7
Albania	42	13	12	17
Algeria	29	0	12	17
Angola	30	4	12	14
Antigua and Barbuda	57	13	24	20
Argentina	9	1	1	7
Armenia	10	1	1	8
Australia	11	1	4	6
Austria	12	1	3	8
Azerbaijan	18	1	12	5
Bahamas, The	18	0	12	6
Bahrain	13	0	12	1
Bangladesh	20	5	0	15
Barbados	28	4	12	12
Belarus	10	1	5	4
Belgium	11	1	2	8
Belize	29	12	1	16
Benin	55	5	24	26
Bhutan	19	2	13	4
Bolivia	42	1	12	29
Bosnia and Herzegovina	40	12	1	27
Botswana	34	6	13	15
Brazil	9	2	2	5
Brunei Darussalam	27	1	24	2
Bulgaria	13	1	1	11
Burkina Faso	45	1	24	20
Burundi	25	6	4	15
Cambodia	40	12	12	16
Cameroon	44	13	12	19
Canada	8	1	3	4
Cape Verde	30	3	13	14
Central African Republic	56	4	24	28
Chad	54	12	24	18
Chile	7	1	1	5
China	7	2	1	4
Colombia	10	1	1	8
Comoros	33	3	12	18
Congo, Dem. Rep.	32	1	16	15
Congo, Rep.	49	5	24	20
Costa Rica	22	4	1	17
Côte d'Ivoire	62	3	24	35
Croatia	19	1	1	17
Cyprus	30	5	12	13
Czech Republic	8	1	2	5
Denmark	10	3	1	6
Djibouti	35	5	12	18
Dominica	37	5	12	20
Dominican Republic	9	1	4	4
Ecuador	8	2	1	5
Egypt, Arab Rep.	29	1	12	16
El Salvador	53	13	24	16
Equatorial Guinea	46	1	24	21
Eritrea	30	2	12	16
Estonia	7	1	0	6
Ethiopia	30	2	12	16
Fiji	38	5	18	15
Finland	8	1	3	4
France	7	1	2	4
Gabon	26	3	4	19
Gambia, The	50	5	13	32
Georgia	5	1	1	3
Germany	9	2	1	6
Ghana	32	6	12	14

Table 2: Tax payments	Number of payments			
Economy	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments
Greece	8	1	1	6
Grenada	30	1	12	17
Guatemala	7	1	1	5
Guinea	57	3	36	18
Guinea-Bissau	46	5	12	29
Guyana	35	6	12	17
Haiti	47	6	25	16
Honduras	47	5	13	29
Hong Kong SAR, China	3	1	1	1
Hungary	12	2	2	8
Iceland	26	1	13	12
India	33	2	24	7
Indonesia	52	13	24	15
Iran, Islamic Rep.	20	1	12	7
Iraq	13	1	12	0
Ireland	9	1	1	7
Israel	33	2	12	19
Italy	15	2	1	12
Jamaica	36	4	12	20
Japan	14	2	2	10
Jordan	25	1	12	12
Kazakhstan	7	1	1	5
Kenya	41	5	14	22
Kiribati	7	5	2	0
Korea, Rep.	10	1	2	7
Kosovo	33	5	12	16
Kuwait	12	0	12	0
Kyrgyz Republic	51	5	12	34
Lao PDR	34	4	12	18
Latvia	7	1	1	5
Lebanon	19	1	12	6
Lesotho	33	5	12	16
Liberia	33	5	12	16
Libya	19	4	12	3
Lithuania	11	1	2	8
Luxembourg	23	5	12	6
Macedonia, FYR	29	12	1	16
Madagascar	23	1	8	14
Malawi	35	5	13	17
Malaysia	13	2	2	9
Maldives	30	3	12	15
Mali	35	4	24	7
Malta	7	1	1	5
Marshall Islands	21	0	16	5
Mauritania	37	1	13	23
Mauritius	8	1	1	6
Mexico	6	1	2	3
Micronesia, Fed. Sts.	21	0	4	17
Moldova	31	1	25	5
Mongolia	41	12	12	17
Montenegro	29	1	12	16
Morocco	6	1	1	4
Mozambique	37	7	12	18
Myanmar	31	5	12	14
Namibia	37	3	12	22
Nepal	34	4	12	18
Netherlands	9	1	1	7
New Zealand	8	1	2	5
Nicaragua	42	1	24	17
Niger	41	3	14	24
Nigeria	47	2	26	19
Norway	4	1	1	2
Oman	14	1	12	1

Table 2: Tax payments	Number of payments			
Economy	Total tax payments	Profit tax payments	Labour tax payments	Other taxes payments
Pakistan	47	5	25	17
Palau	11	4	4	3
Panama	52	5	16	31
Papua New Guinea	32	1	13	18
Paraguay	28	3	12	13
Peru	9	1	2	6
Philippines	36	1	25	10
Poland	18	1	1	16
Portugal	8	1	1	6
Puerto Rico	16	5	6	5
Qatar	4	1	1	2
Romania	39	4	12	23
Russian Federation	7	1	2	4
Rwanda	17	4	4	9
Samoa	37	5	24	8
San Marino	19	3	12	4
São Tomé and Príncipe	42	2	12	28
Saudi Arabia	3	1	1	1
Senegal	59	3	36	20
Serbia	66	12	12	42
Seychelles	27	12	12	3
Sierra Leone	33	5	12	16
Singapore	5	1	1	3
Slovak Republic	20	1	1	18
Slovenia	11	1	1	9
Solomon Islands	34	5	12	17
South Africa	7	1	2	4
South Sudan	36	5	12	19
Spain	8	1	1	6
Sri Lanka	58	5	24	29
St. Kitts and Nevis	36	4	12	20
St. Lucia	32	1	12	19
St. Vincent and the Grenadines	36	4	12	20
Sudan	42	2	12	28
Suriname	29	4	12	13
Swaziland	33	2	13	18
Sweden	4	1	1	2
Switzerland	19	2	7	10
Syrian Arab Republic	19	2	12	5
Taiwan, China	12	2	3	7
Tajikistan	69	11	12	46
Tanzania	48	5	24	19
Thailand	22	2	13	7
Timor-Leste	18	5	12	1
Togo	50	5	24	21
Tonga	30	1	12	17
Trinidad and Tobago	39	4	24	11
Tunisia	8	1	4	3
Turkey	11	1	1	9
Uganda	31	3	12	16
Ukraine	28	1	24	3
United Arab Emirates	4	0	1	3
United Kingdom	8	1	1	6
United States	11	2	4	5
Uruguay	33	1	24	8
Uzbekistan	41	8	12	21
Vanuatu	31	0	12	19
Venezuela, RB	71	15	28	28
Vietnam	32	6	12	14
West Bank and Gaza	39	14	12	13
Yemen, Rep.	44	1	24	19
Zambia	38	5	13	20
Zimbabwe	49	5	14	30

Table 3: Time to comply	Number of hours			
Economy	Total tax time	Corporate income tax time	Labour tax time	Consumption tax time
Afghanistan	275	77	120	78
Albania	357	119	94	144
Algeria	451	152	110	189
Angola	282	75	125	82
Antigua and Barbuda	207	23	136	48
Argentina	405	105	84	216
Armenia	380	121	162	97
Australia	105	37	18	50
Austria	166	47	52	67
Azerbaijan	214	60	97	57
Bahamas, The	58	0	48	10
Bahrain	36	0	36	0
Bangladesh	302	140	0	162
Barbados	237	27	162	48
Belarus	319	157	88	74
Belgium	160	20	40	100
Belize	147	27	60	60
Benin	270	30	120	120
Bhutan	274	250	24	0
Bolivia	1025	110	507	408
Bosnia and Herzegovina	407	68	81	258
Botswana	152	40	40	72
Brazil	2600	736	490	1374
Brunei Darussalam	96	66	30	0
Bulgaria	454	33	256	165
Burkina Faso	270	30	120	120
Burundi	274	76	48	150
Cambodia	173	23	84	66
Cameroon	630	174	162	294
Canada	131	45	36	50
Cape Verde	186	35	85	66
Central African Republic	483	24	240	219
Chad	732	300	216	216
Chile	291	42	125	124
China	318	70	142	106
Colombia	203	50	87	66
Comoros	100	4	48	48
Congo, Dem. Rep.	348	116	124	108
Congo, Rep.	602	275	146	181
Costa Rica	226	18	100	108
Côte d'Ivoire	270	30	120	120
Croatia	196	60	96	40
Cyprus	147	29	78	40
Czech Republic	413	94	217	102
Denmark	130	25	65	40
Djibouti	82	30	36	16
Dominica	117	15	48	54
Dominican Republic	324	82	80	162
Ecuador	654	108	306	240
Egypt, Arab Rep.	392	69	165	158
El Salvador	320	128	96	96
Equatorial Guinea	492	145	160	187
Eritrea	216	24	96	96
Estonia	81	20	34	27
Ethiopia	306	150	132	24
Fiji	185	57	68	60
Finland	93	21	48	24
France	132	26	80	26
Gabon	488	137	131	220
Gambia, The	376	40	96	240
Georgia	280	109	56	115
Germany	218	41	134	43
Ghana	224	40	88	96

Table 3: Time to comply	Number of hours			
Economy	Total tax time	Corporate income tax time	Labour tax time	Consumption tax time
Greece	193	78	46	69
Grenada	140	32	72	36
Guatemala	326	44	126	156
Guinea	440	32	192	216
Guinea-Bissau	208	160	24	24
Guyana	256	41	48	167
Haiti	184	40	72	72
Honduras	224	35	93	96
Hong Kong SAR, China	78	50	28	0
Hungary	277	35	146	96
Iceland	140	40	60	40
India	243	45	93	105
Indonesia	259	75	94	90
Iran, Islamic Rep.	344	32	240	72
Iraq	312	24	288	0
Ireland	80	10	40	30
Israel	235	110	60	65
Italy	269	39	198	32
Jamaica	368	30	290	48
Japan	330	155	140	35
Jordan	151	10	90	51
Kazakhstan	188	75	70	43
Kenya	308	43	51	214
Kiribati	120	48	72	0
Korea, Rep.	187	82	80	25
Kosovo	162	32	41	89
Kuwait	98	0	98	0
Kyrgyz Republic	210	60	71	79
Lao PDR	362	138	42	182
Latvia	264	31	139	94
Lebanon	180	40	100	40
Lesotho	324	70	104	150
Liberia	151	60	60	31
Libya	889	679	210	0
Lithuania	175	32	85	58
Luxembourg	55	19	14	22
Macedonia, FYR	119	19	56	44
Madagascar	183	9	72	102
Malawi	175	67	78	30
Malaysia	133	26	77	30
Maldives	413	96	88	229
Mali	270	30	120	120
Malta	139	23	92	24
Marshall Islands	128	0	96	32
Mauritania	696	120	96	480
Mauritius	152	36	48	68
Mexico	334	170	64	100
Micronesia, Fed. Sts.	128	0	96	32
Moldova	181	42	94	45
Mongolia	192	57	63	72
Montenegro	320	43	98	179
Morocco	232	70	42	120
Mozambique	230	50	60	120
Myanmar	155	32	25	98
Namibia	314	40	46	228
Nepal	326	120	84	122
Netherlands	123	25	64	34
New Zealand	152	34	59	59
Nicaragua	207	67	76	64
Niger	270	30	120	120
Nigeria	956	398	396	162
Norway	83	24	15	44
Oman	68	56	12	0

Table 3: Time to comply	Number of hours			
Economy	Total tax time	Corporate income tax time	Labour tax time	Consumption tax time
Pakistan	577	40	40	497
Palau	142	46	96	0
Panama	417	83	144	190
Papua New Guinea	207	153	8	46
Paraguay	384	144	96	144
Peru	293	39	144	110
Philippines	193	42	38	113
Poland	286	62	124	100
Portugal	275	63	116	96
Puerto Rico	218	80	60	78
Qatar	41	5	36	0
Romania	200	40	102	58
Russian Federation	177	60	76	41
Rwanda	113	19	36	58
Samoa	224	48	96	80
San Marino	52	4	48	0
São Tomé and Príncipe	424	40	192	192
Saudi Arabia	72	32	40	0
Senegal	644	114	96	434
Serbia	279	48	126	105
Seychelles	76	40	36	0
Sierra Leone	353	15	168	170
Singapore	82	32	10	40
Slovak Republic	207	42	62	103
Slovenia	260	90	96	74
Solomon Islands	80	8	30	42
South Africa	200	100	50	50
South Sudan	218	56	78	84
Spain	167	33	90	44
Sri Lanka	210	16	52	142
St. Kitts and Nevis	203	27	128	48
St. Lucia	97	11	51	35
St. Vincent and the Grenadines	108	14	49	45
Sudan	180	70	70	40
Suriname	199	48	24	127
Swaziland	110	8	48	54
Sweden	122	50	36	36
Switzerland	63	15	40	8
Syrian Arab Republic	336	300	36	0
Taiwan, China	221	161	27	33
Tajikistan	224	80	48	96
Tanzania	176	62	54	60
Thailand	264	160	48	56
Timor-Leste	276	132	144	0
Togo	270	30	120	120
Tonga	182	8	30	144
Trinidad and Tobago	210	45	75	90
Tunisia	144	64	30	50
Turkey	226	49	80	97
Uganda	209	41	66	102
Ukraine	390	100	140	150
United Arab Emirates	12	0	12	0
United Kingdom	110	37	48	25
United States	175	87	55	33
Uruguay	310	88	114	108
Uzbekistan	205	66	69	70
Vanuatu	120	0	24	96
Venezuela, RB	792	120	288	384
Vietnam	872	217	335	320
West Bank and Gaza	170	26	96	48
Yemen, Rep.	248	56	72	120
Zambia	183	63	60	60
Zimbabwe	242	78	96	68

Table 4: Total Tax Rate	Total Tax Rate			
Economy	Total Tax Rate	Profit tax Total Tax Rate	Labour tax Total Tax Rate	Other taxes Total Tax Rate
Afghanistan	36.3	0.0	0.0	36.3
Albania	31.7	9.4	18.8	3.5
Algeria	71.9	6.6	29.6	35.7
Angola	52.1	25.2	9.0	17.9
Antigua and Barbuda	41.0	26.2	9.5	5.3
Argentina	107.8	3.0	29.4	75.4
Armenia	38.8	15.0	23.0	0.8
Australia	47.0	26.2	20.2	0.6
Austria	52.4	15.3	34.7	2.4
Azerbaijan	40.0	12.9	24.8	2.3
Bahamas, The	46.6	0.0	6.1	40.5
Bahrain	13.5	0.0	13.5	0.0
Bangladesh	35.0	25.7	0.0	9.3
Barbados	40.8	25.5	12.3	3.0
Belarus	54.0	13.4	39.0	1.6
Belgium	57.5	6.4	50.3	0.8
Belize	33.2	24.7	7.0	1.5
Benin	65.9	14.8	27.3	23.8
Bhutan	40.8	36.3	0.0	4.5
Bolivia	83.4	0.0	18.8	64.6
Bosnia and Herzegovina	25.5	7.0	15.9	2.6
Botswana	25.4	21.7	0.0	3.7
Brazil	68.3	24.9	39.6	3.8
Brunei Darussalam	16.1	7.6	8.5	0.0
Bulgaria	27.7	4.9	20.2	2.6
Burkina Faso	43.9	15.2	22.6	6.1
Burundi	51.6	38.6	10.2	2.8
Cambodia	21.4	19.1	0.1	2.2
Cameroon	48.8	30.0	18.3	0.5
Canada	24.3	6.6	12.9	4.8
Cape Verde	37.2	18.0	18.5	0.7
Central African Republic	87.6	0.0	19.8	67.8
Chad	73.8	31.3	28.4	14.1
Chile	27.7	21.2	3.8	2.7
China	63.7	6.2	49.6	7.9
Colombia	76.0	18.7	28.8	28.5
Comoros	217.9	31.4	0.0	186.5
Congo, Dem. Rep.	118.1	58.9	7.9	51.3
Congo, Rep.	63.8	0.0	31.3	32.5
Costa Rica	55.3	19.2	29.5	6.6
Côte d'Ivoire	46.4	8.8	22.1	15.5
Croatia	19.8	0.0	17.9	1.9
Cyprus	22.5	9.1	12.0	1.4
Czech Republic	48.1	7.7	38.4	2.0
Denmark	27.0	20.3	3.6	3.1
Djibouti	37.8	17.7	17.7	2.4
Dominica	37.1	26.0	7.9	3.2
Dominican Republic	43.5	23.7	18.6	1.2
Ecuador	33.9	16.9	13.7	3.3
Egypt, Arab Rep.	42.6	13.2	25.8	3.6
El Salvador	38.1	20.4	17.2	0.5
Equatorial Guinea	44.1	0.0	25.4	18.7
Eritrea	84.5	8.8	0.0	75.7
Estonia	49.4	8.1	39.4	1.9
Ethiopia	33.4	26.0	4.2	3.2
Fiji	31.2	20.5	10.4	0.3
Finland	39.8	14.1	24.5	1.2
France	64.7	8.7	51.7	4.3
Gabon	43.5	18.4	22.7	2.4
Gambia, The	283.2	6.1	12.8	264.3
Georgia	16.4	14.3	0.0	2.1
Germany	49.4	23.0	21.8	4.6
Ghana	22.9	22.0	0.7	0.2

Table 4: Total Tax Rate	Total Tax Rate			
Economy	Total Tax Rate	Profit tax Total Tax Rate	Labour tax Total Tax Rate	Other taxes Total Tax Rate
Greece	44.0	11.2	32.0	0.8
Grenada	45.3	27.6	5.6	12.1
Guatemala	40.9	25.9	14.3	0.7
Guinea	91.2	17.2	27.8	46.2
Guinea-Bissau	45.9	14.9	24.8	6.2
Guyana	32.5	21.1	8.8	2.6
Haiti	40.4	23.8	12.4	4.2
Honduras	39.2	26.1	5.1	8.0
Hong Kong SAR, China	22.9	17.5	5.3	0.1
Hungary	49.7	11.6	34.6	3.5
Iceland	29.9	9.0	18.0	2.9
India	62.8	24.4	20.7	17.7
Indonesia	32.2	18.1	10.8	3.3
Iran, Islamic Rep.	44.1	17.8	25.9	0.4
Iraq	27.8	14.2	13.5	0.1
Ireland	25.7	12.3	12.1	1.3
Israel	29.9	23.3	4.7	1.9
Italy	65.8	20.3	43.4	2.1
Jamaica	44.3	26.4	12.9	5.0
Japan	49.7	27.2	17.9	4.6
Jordan	28.9	12.8	13.8	2.3
Kazakhstan	28.6	15.9	11.2	1.5
Kenya	44.2	28.2	6.8	9.2
Kiribati	31.8	23.3	8.5	0.0
Korea, Rep.	27.9	14.2	13.4	0.3
Kosovo	15.4	9.1	5.6	0.7
Kuwait	12.4	0.0	12.4	0.0
Kyrgyz Republic	33.4	6.2	19.5	7.7
Lao PDR	26.8	20.5	5.6	0.7
Latvia	35.9	4.9	27.3	3.7
Lebanon	30.2	6.1	24.1	0.0
Lesotho	16.0	13.1	0.0	2.9
Liberia	26.6	18.3	5.4	2.9
Libya	31.6	20.8	10.5	0.3
Lithuania	43.1	6.0	35.2	1.9
Luxembourg	20.7	4.1	16.0	0.6
Macedonia, FYR	8.2	6.3	0.0	1.9
Madagascar	35.8	14.0	20.3	1.5
Malawi	34.9	20.7	9.6	4.6
Malaysia	36.3	19.3	15.6	1.4
Maldives	28.9	11.7	7.9	9.3
Mali	49.5	9.6	34.3	5.6
Malta	41.0	29.7	10.7	0.6
Marshall Islands	64.8	0.0	11.8	53.0
Mauritania	68.2	0.0	17.6	50.6
Mauritius	28.2	10.6	10.3	7.3
Mexico	53.7	24.1	28.2	1.4
Micronesia, Fed. Sts.	59.9	0.0	7.9	52.0
Moldova	40.4	9.6	30.6	0.2
Mongolia	24.6	10.2	12.4	2.0
Montenegro	20.9	7.2	12.8	0.9
Morocco	49.6	25.2	22.7	1.7
Mozambique	37.5	30.9	4.5	2.1
Myanmar	48.9	26.6	0.0	22.3
Namibia	21.8	17.7	1.0	3.1
Nepal	31.5	17.2	11.3	3.0
Netherlands	39.3	20.8	18.2	0.3
New Zealand	34.6	29.9	3.1	1.6
Nicaragua	64.9	23.0	20.3	21.6
Niger	48.0	21.5	20.1	6.4
Nigeria	33.8	22.3	10.8	0.7
Norway	40.7	24.8	15.9	0.0
Oman	22.0	10.0	11.8	0.2

Table 4: Total Tax Rate		Total Tax Rate		
Economy	Total Tax Rate	Profit tax Total Tax Rate	Labour tax Total Tax Rate	Other taxes Total Tax Rate
Pakistan	34.7	18.0	15.1	1.6
Palau	75.2	65.8	9.3	0.1
Panama	40.5	11.4	19.8	9.3
Papua New Guinea	42.1	22.0	11.7	8.4
Paraguay	35.0	9.6	18.6	6.8
Peru	36.4	23.1	11.0	2.3
Philippines	44.5	19.6	10.8	14.1
Poland	41.6	14.1	26.0	1.5
Portugal	42.3	15.1	26.7	0.5
Puerto Rico	50.7	15.8	14.4	20.5
Qatar	11.3	0.0	11.3	0.0
Romania	42.9	10.3	31.5	1.1
Russian Federation	50.7	8.0	36.7	6.0
Rwanda	29.9	21.9	5.6	2.4
Samoa	18.9	11.9	7.0	0.0
San Marino	42.2	12.4	29.4	0.4
São Tomé and Príncipe	32.5	22.1	6.8	3.6
Saudi Arabia	14.5	2.1	12.4	0.0
Senegal	48.5	18.0	24.0	6.5
Serbia	36.8	11.6	23.0	2.2
Seychelles	25.7	23.3	1.7	0.7
Sierra Leone	32.4	18.2	11.3	2.9
Singapore	27.1	4.9	17.6	4.6
Slovak Republic	47.2	7.0	39.6	0.6
Slovenia	32.5	12.9	18.2	1.4
Solomon Islands	24.9	15.2	8.5	1.2
South Africa	30.1	21.9	4.1	4.1
South Sudan	28.7	7.1	19.2	2.4
Spain	58.6	21.2	36.8	0.6
Sri Lanka	55.1	1.0	16.9	37.2
St. Kitts and Nevis	51.9	32.2	11.3	8.4
St. Lucia	34.6	25.8	5.6	3.2
St. Vincent and the Grenadines	38.7	30.2	5.1	3.4
Sudan	36.1	13.8	19.2	3.1
Suriname	27.9	27.9	0.0	0.0
Swaziland	36.5	28.2	4.0	4.3
Sweden	52.0	16.0	35.5	0.5
Switzerland	29.1	9.2	17.8	2.1
Syrian Arab Republic	39.7	20.0	19.3	0.4
Taiwan, China	35.0	12.6	19.0	3.4
Tajikistan	86.0	0.0	28.5	57.5
Tanzania	44.9	20.4	18.0	6.5
Thailand	29.8	22.5	4.0	3.3
Timor-Leste	11.0	11.0	0.0	0.0
Togo	49.4	9.3	27.1	13.0
Tonga	29.6	22.9	5.6	1.1
Trinidad and Tobago	29.1	21.6	5.8	1.7
Tunisia	62.4	15.4	25.2	21.8
Turkey	40.2	18.1	18.8	3.3
Uganda	36.6	25.2	11.3	0.1
Ukraine	54.9	11.2	43.1	0.6
United Arab Emirates	14.9	0.0	14.1	0.8
United Kingdom	34.0	21.6	10.6	1.8
United States	46.3	27.9	9.9	8.5
Uruguay	41.9	23.6	15.6	2.7
Uzbekistan	99.3	0.8	28.2	70.3
Vanuatu	8.4	0.0	4.5	3.9
Venezuela, RB	61.7	6.5	18.0	37.2
Vietnam	35.2	11.4	23.7	0.1
West Bank and Gaza	16.5	16.2	0.0	0.3
Yemen, Rep.	32.7	20.1	11.3	1.3
Zambia	15.1	1.2	10.4	3.5
Zimbabwe	35.3	20.8	5.1	9.4

World Bank and IFC Paying Taxes team
Rita Ramalho
Joanna Nasr
Nina Paustian
Michelle Hanf
Valter Deperon
Nadia Novik

PwC Paying Taxes team
Neville Howlett
Tom Dane
Hong Wang
Karla Cortez
Jialu Pan

The Total Tax Rate included in the survey by the World Bank has been calculated using the broad principles of the PricewaterhouseCoopers methodology. The application of these principles by the World Bank Group has not been verified, validated or audited by PricewaterhouseCoopers, and therefore, PricewaterhouseCoopers cannot make any representations or warranties with regard to the accuracy of the information generated by the World Bank Group's models. In addition, the World Bank Group has not verified, validated or audited any information collected by PricewaterhouseCoopers beyond the scope of Doing Business Paying Taxes data, and therefore, the World Bank Group cannot make any representations or warranties with regard to the accuracy of the information generated by PricewaterhouseCoopers' own research.

The World Bank Group's Doing Business tax ranking indicator includes two components in addition to the Total Tax Rate. These estimate compliance costs by looking at hours spent on tax work and the number of tax payments made in a tax year. These calculations do not follow any PricewaterhouseCoopers methodology but do attempt to provide data which is consistent with the tax compliance cost aspect of the PricewaterhouseCoopers Total Tax Contribution framework.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 180,000 people in 158 countries across its network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

This publication has been prepared as general information on matters of interest only, and does not constitute professional advice. No one should act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, neither PricewaterhouseCoopers nor the World Bank Group accept or assume any liability, responsibility or duty of care for any consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. The World Bank Group does not guarantee the accuracy of the data included in this work. The boundaries, colours, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries. The findings, interpretations, and conclusions expressed herein are those of the author(s) and do not necessarily reflect the views of the World Bank, IFC and its Boards of Executive Directors or the governments they represent.

This publication may be copied and disseminated in its entirety, retaining all featured logos, names, copyright notice and disclaimers. Extracts from this publication may be copied and disseminated, including publication in other documentation, provided always that the said extracts are duly referenced, that the extract is clearly identified as such and that a source notice is used as follows: for extracts from any section of this publication except Chapter One, use the source notice: "© 2013 PricewaterhouseCoopers. All rights reserved. Extract from "Paying Taxes 2014" publication, available on www.pwc.com/payingtaxes". For extracts from Chapter One only, use the source notice: "© 2013 The World Bank and International Finance Corporation. All rights reserved. Extract from "Paying Taxes 2014" publication, available on www.pwc.com/payingtaxes".

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

© 2013 PricewaterhouseCoopers, the World Bank and International Finance Corporation. All rights reserved. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. The World Bank refers to the legally separate but affiliated international organizations: International Bank for Reconstruction and Development and International Development Association.

10/13. Design Services 28324.

www.pwc.com/payingtaxes
www.doingbusiness.org