

Doing Business 2008

Paying Taxes OECD Presentation



THE WORLD BANK



IFC International
Finance Corporation
World Bank Group

2007



2008



2009

- Starting a business
- Dealing with licenses
- Employing workers
- Registering property
- Enforcing contracts
- Getting credit
- Trading across borders
- Protecting investors
- **Paying taxes**
- Closing a business

- Update of 2007
- Add 3 countries
- Reformer's Club:
 - o 12 case studies

- Add Not paying bribes
- Add Using infrastructure
- Research program on regulations and business opportunities for women

Top 30 on the ease of doing business, 2007

1. Singapore
2. New Zealand
3. United States
4. Hong Kong, China
5. Denmark
6. United Kingdom
7. Canada
8. Ireland
9. Australia
10. Iceland
11. Norway
12. Japan
13. Finland
14. Sweden
15. Thailand
16. Switzerland
17. Estonia
18. Georgia
19. Belgium
20. Germany
21. Netherlands
22. Latvia
23. Saudi Arabia
24. Malaysia
25. Austria
26. Lithuania
27. Mauritius
28. Puerto Rico
29. Israel
30. Korea

Top Reformers in 2006/2007

Economy	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Egypt	✓	✓		✓	✓			✓		
Croatia	✓			✓	✓					✓
Ghana	✓			✓	✓			✓	✓	
Macedonia, FYR	✓	✓					✓			
Georgia	✓	✓		✓	✓	✓				✓
Colombia						✓	✓	✓		
Saudi Arabia	✓				✓			✓		
Kenya	✓	✓		✓	✓					
China		✓			✓					✓
Bulgaria		✓					✓		✓	

Paying Taxes Company

- Is a limited liability taxable company
- Operates in the country's most populous city
- Is 100% domestically owned and has 5 owners
- The company purchased all the assets shown in its balance sheet and hired all its workers 2 years ago.
- Has 60 employees – 4 managers, 8 assistants and 48 workers, all nationals
- Produces flower pots and sells them at retail
- Has a turnover of 1,050 times income per capita

Paying Taxes indicator measures

- All taxes paid in the second year of operation (2006)
- Number of tax payments per year
- **Time: Number of hours per year it takes to prepare, file and pay three major types of taxes:**
 - Corporate income tax
 - VAT or sales tax
 - Labor taxes
- **Total tax rate:**
 - Total amount of taxes payable by the business in percent of commercial profits (VAT, Sales Tax and Personal Income Tax are not included)

Top Ten

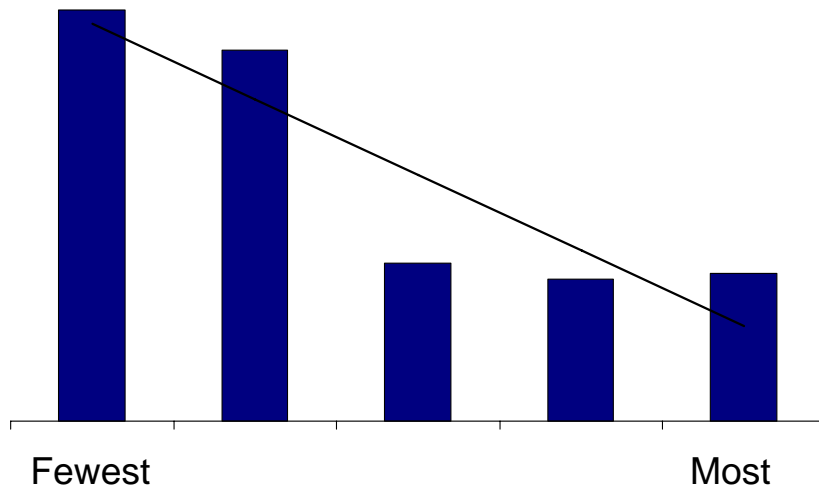
- Maldives
- Singapore
- Hong Kong, China
- United Arab Emirates
- Oman
- Ireland
- Saudi Arabia
- Kuwait
- New Zealand
- Kiribati

Best Practices

- Online filing
- One tax per tax base
- Low rates and wide tax base
- Simple tax administration

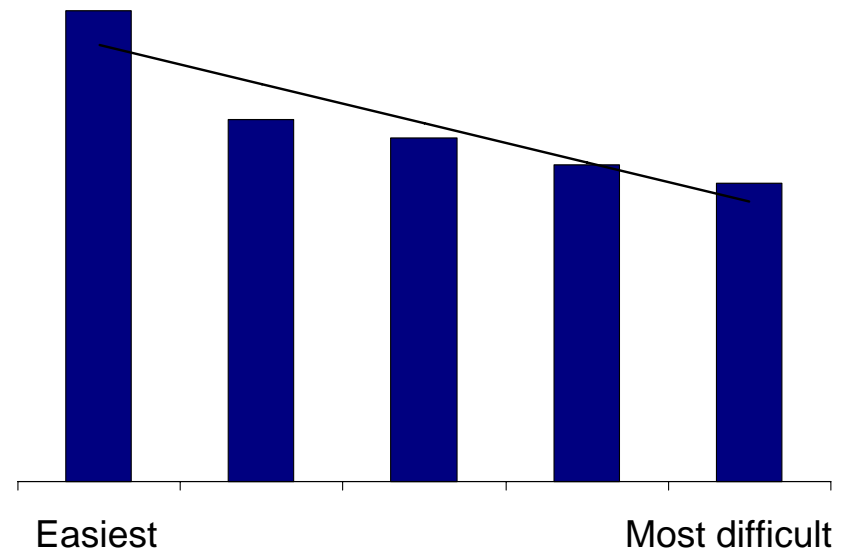
More burdensome taxes and contributions, fewer formal businesses

**Business density
(registered firms per capita)**



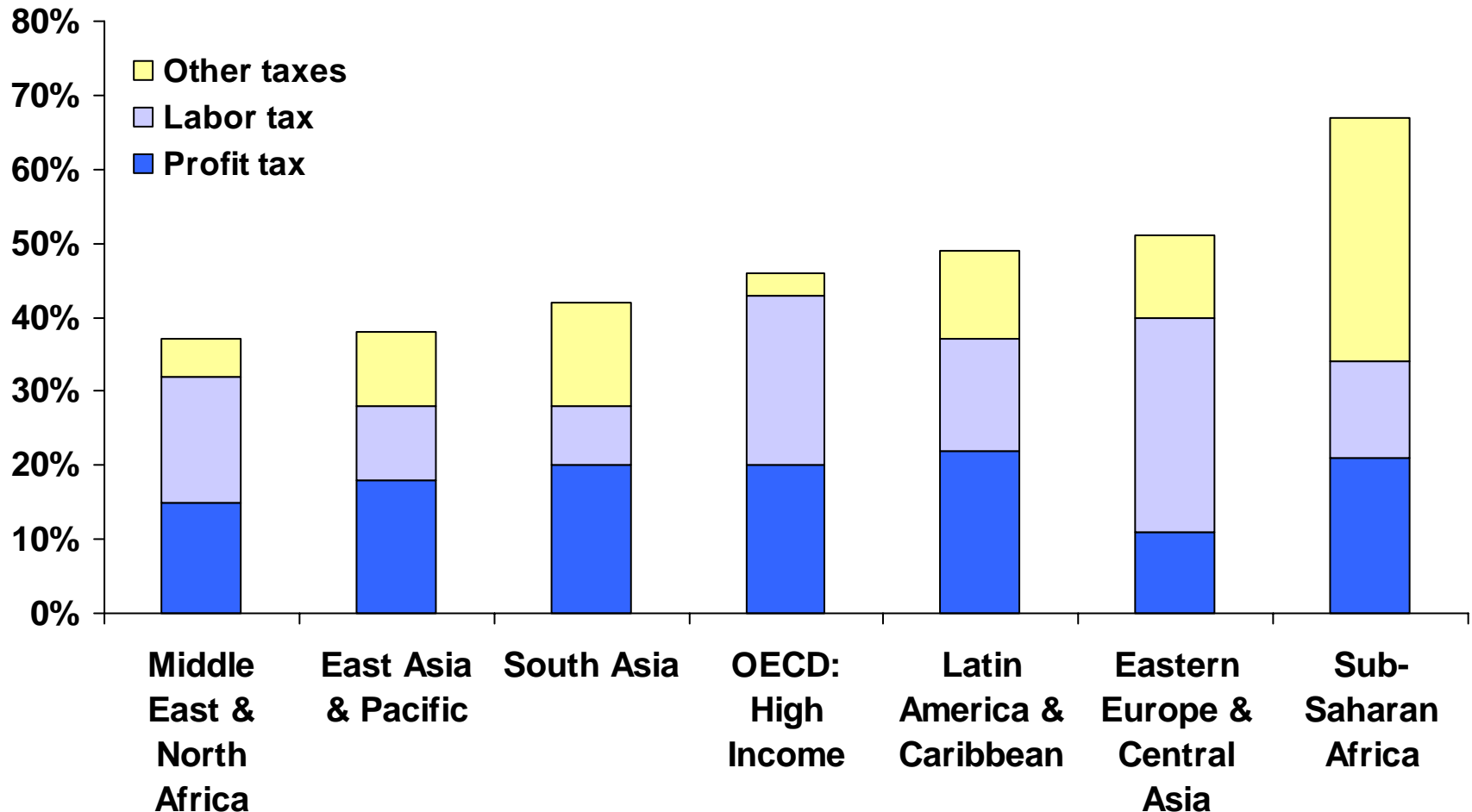
Countries ranked by number of tax payments,
quintiles

**Business entry
(new firms in % of registered firms)**



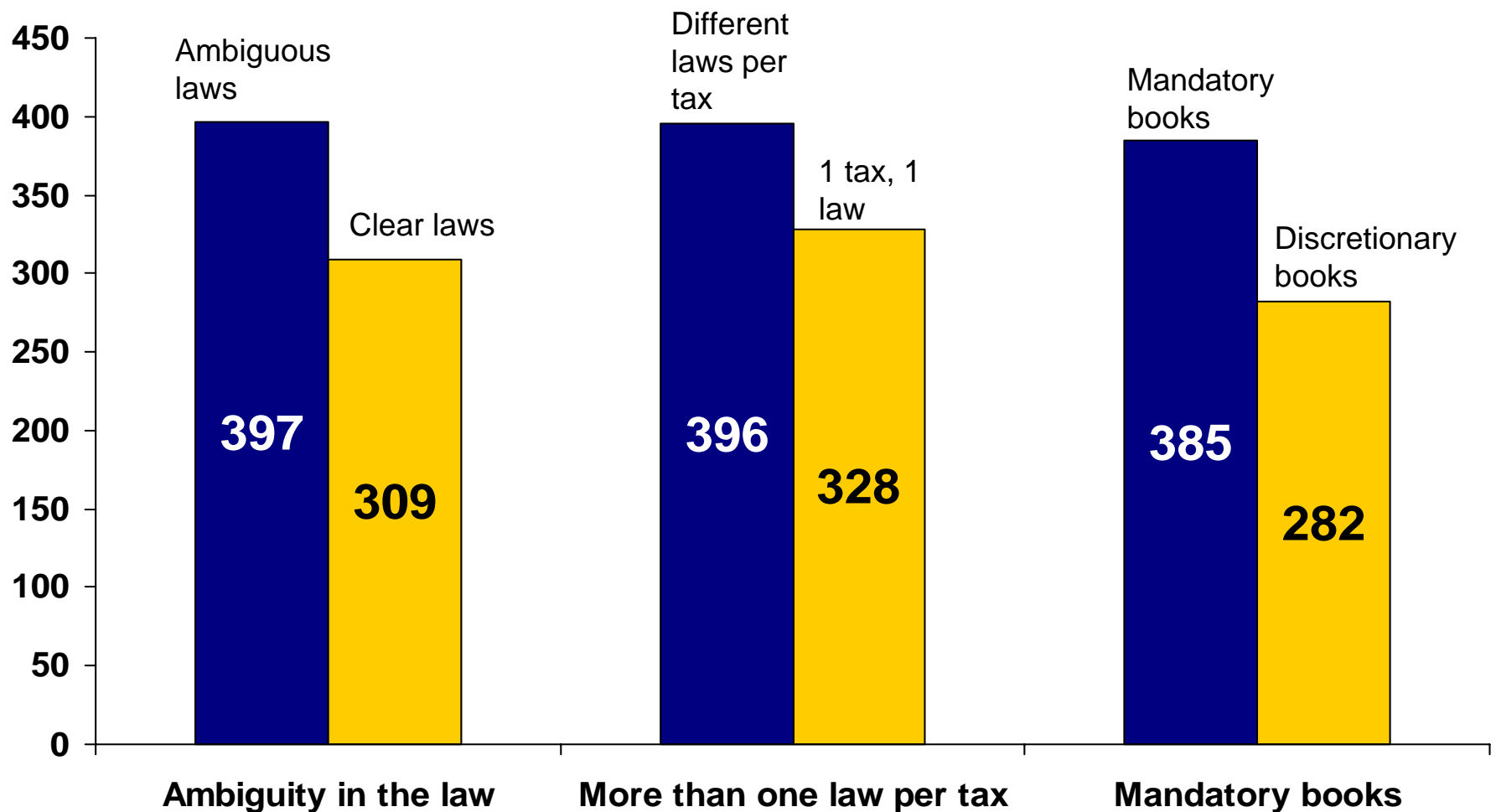
Countries ranked by ease of paying taxes,
quintiles

OECD has the lowest share of other taxes in the total tax rate

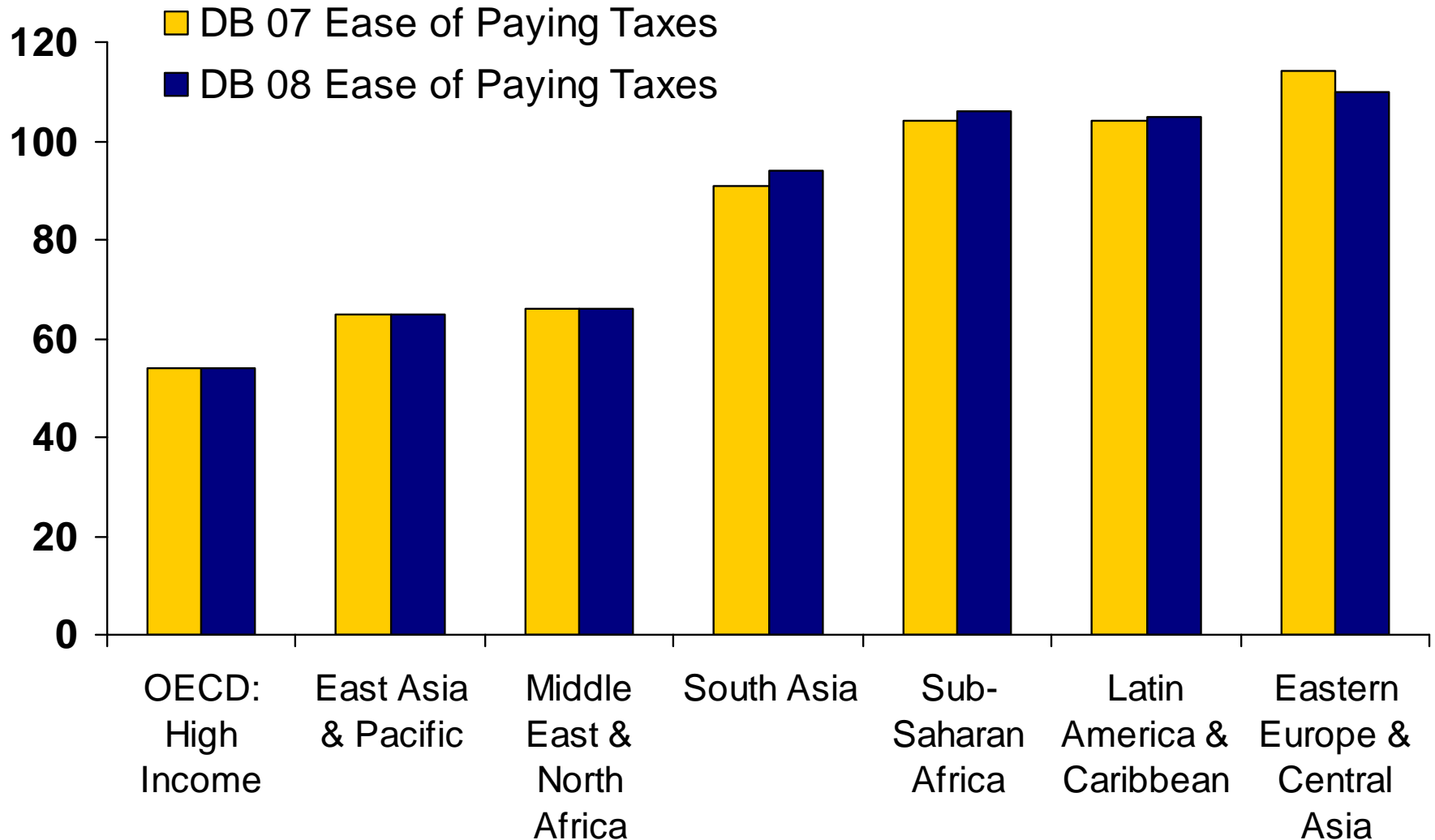


More Complexity, More Time Paying Taxes

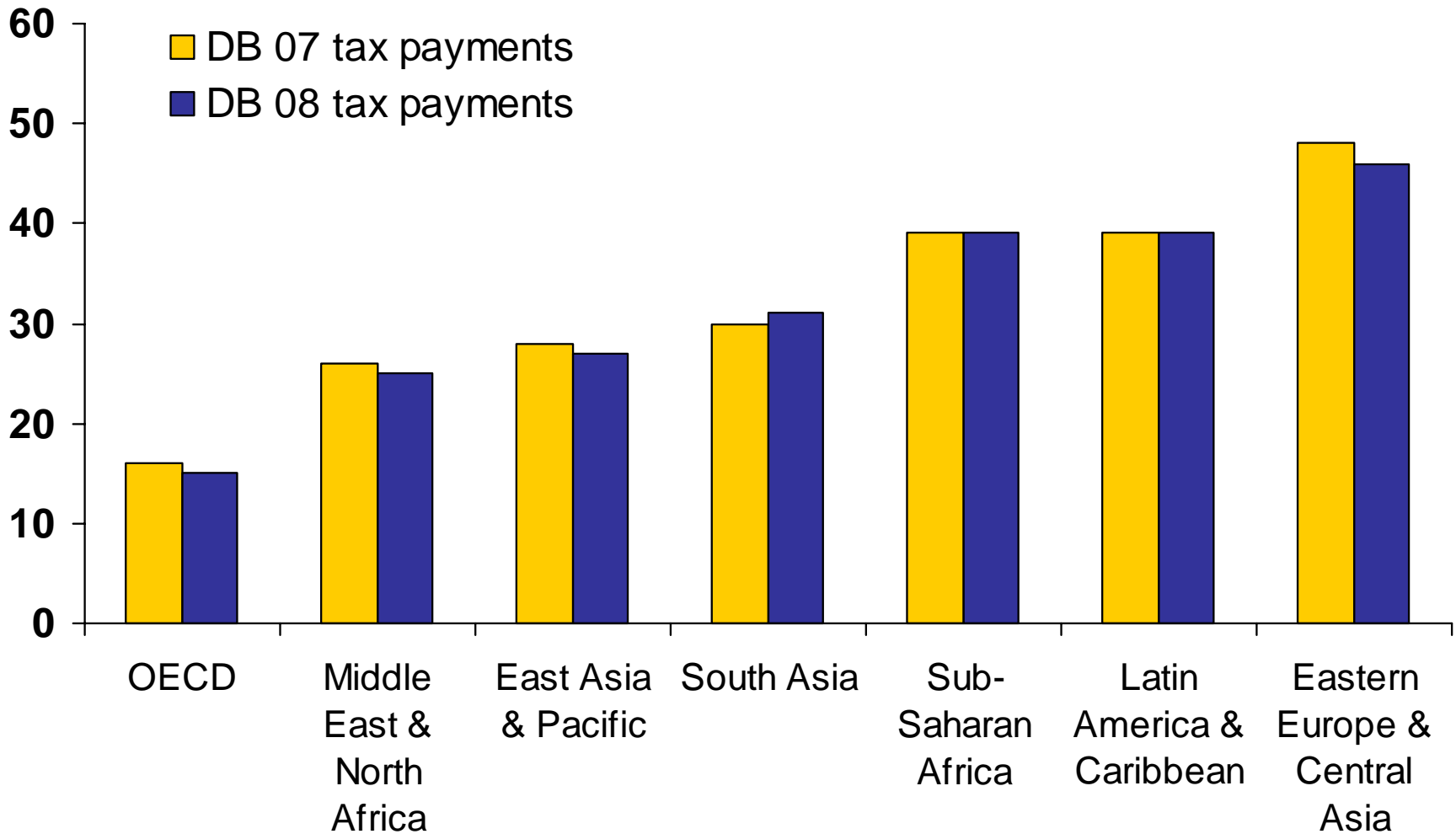
Average time, hours per year



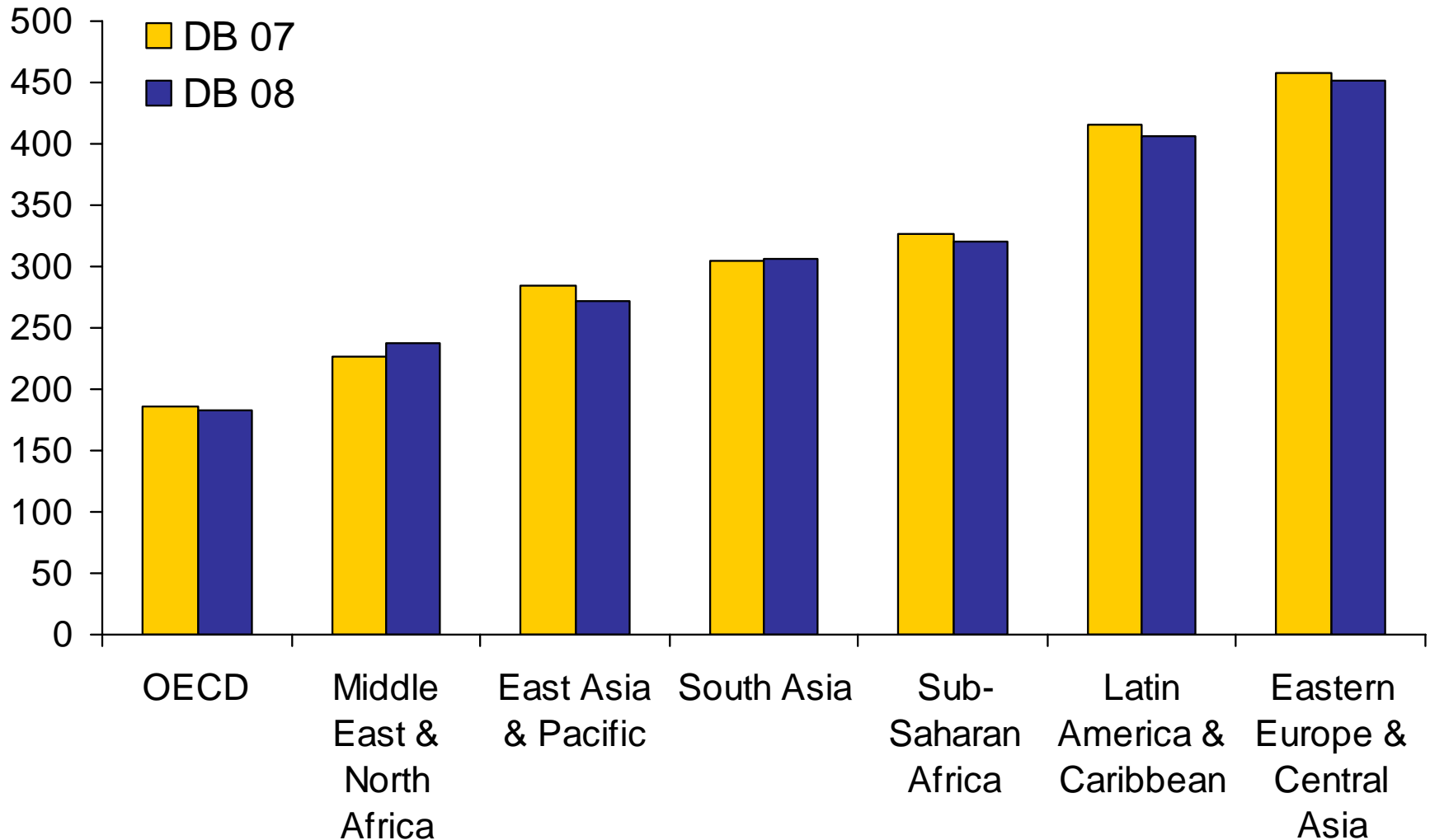
Highest improvement: Eastern Europe and Central Asia



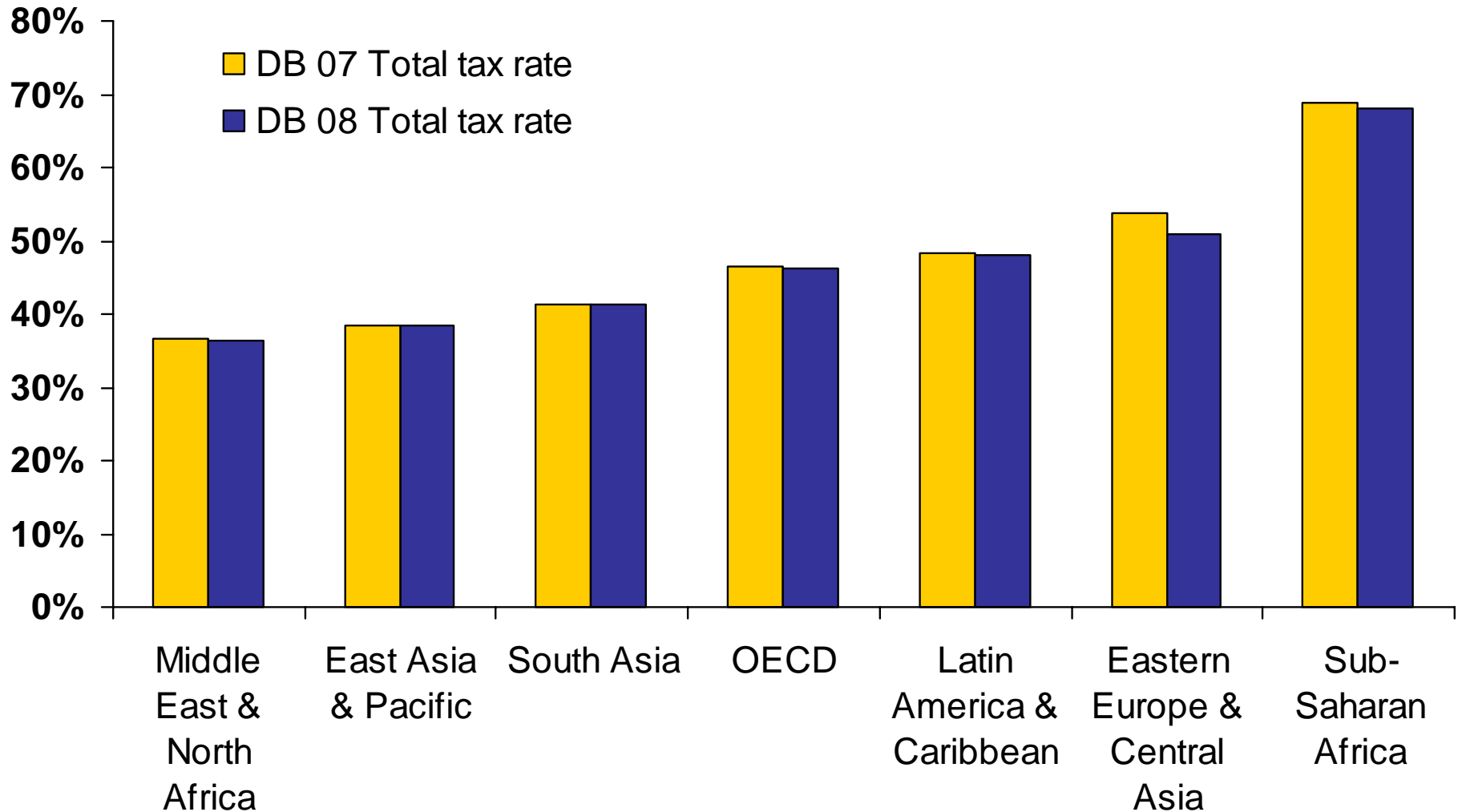
Number of payments are decreasing everywhere except in South Asia



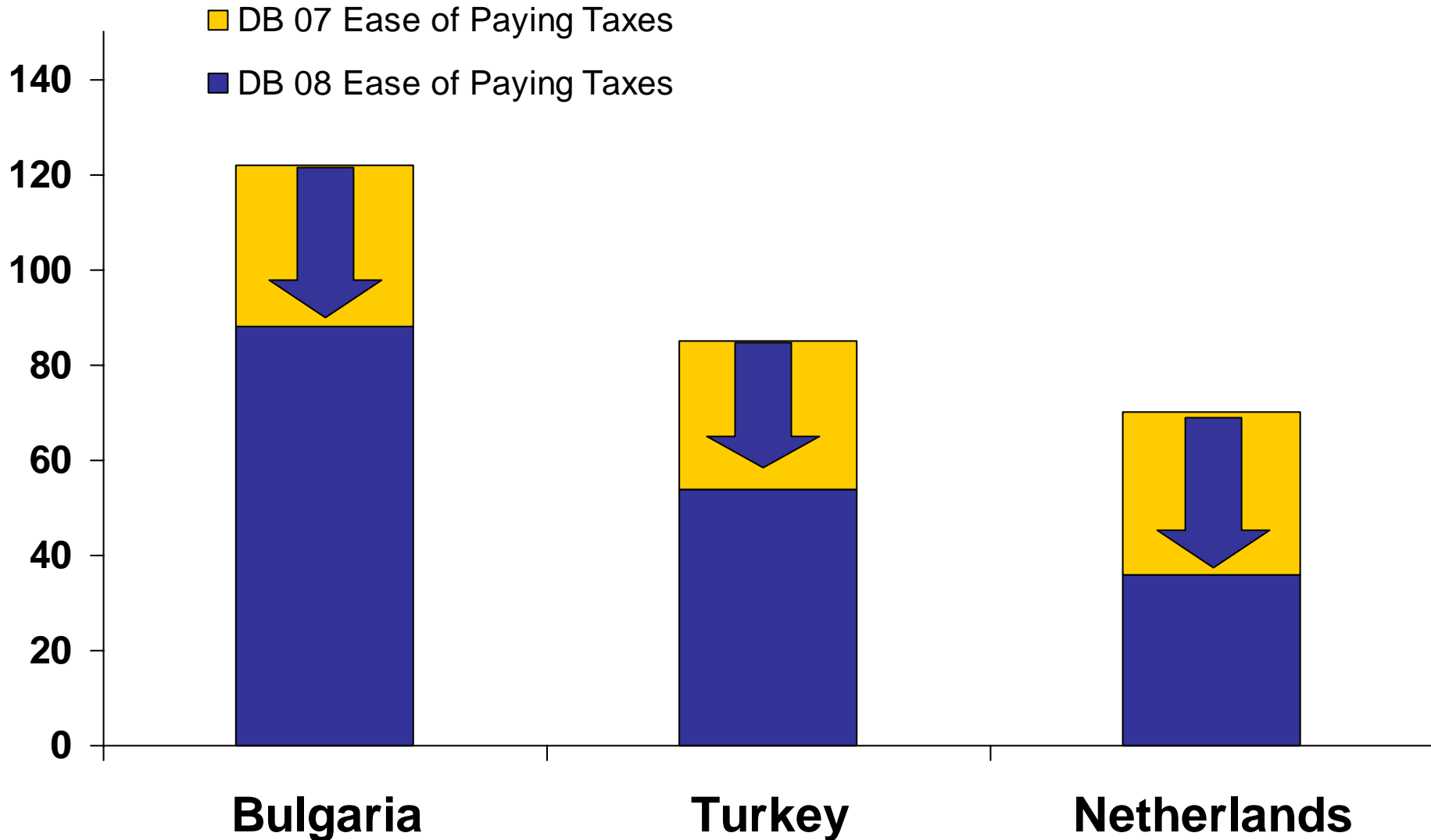
It still takes longest to pay taxes in Eastern Europe and Central Asia



Highest tax rates persist in Africa



Top reformers in Paying Taxes: Bulgaria, Turkey and the Netherlands



Most popular reforms in 2006/2007

<p>Reduced profit tax</p>	<p>Azerbaijan, Bulgaria, Colombia, Cote d'Ivoire, Greece, Israel, Kazakhstan, Kyrgyz Republic, Lesotho, FYR Macedonia, Malaysia, Mauritius, Mexico, Moldova, Mongolia, Netherlands, Portugal, Slovenia, South Africa, Spain, Syria, Trinidad and Tobago, Tunisia, Turkey, Uruguay, Uzbekistan, West Bank and Gaza</p>
<p>Reduced labor taxes and contributions</p>	<p>Albania, Bulgaria, Israel, Kyrgyz Republic, Mexico, Moldova, Netherlands, Romania, Seychelles, Slovenia, South Africa, Uzbekistan</p>
<p>Simplified process of paying taxes</p>	<p>Azerbaijan, Bulgaria, Colombia, Lesotho, Malaysia, Netherlands, Turkey, Uzbekistan</p>
<p>Revised tax code</p>	<p>Moldova, Mongolia, Sierra Leone, Syria, Turkey, Uruguay</p>
<p>Eliminated taxes</p>	<p>Colombia, Israel, Kyrgyz Republic, South Africa, Uruguay, Uzbekistan</p>

Best practices

Online filing	One third of DB sample countries have it. For instance, Brazil, Bulgaria, Canada, Peru
One tax per tax base	Administrative burden can be reduced by consolidating taxes and reducing tax payments. For instance, Bosnia and Herzegovina, Portugal, Uruguay.
Simple administration	2 fifths of DB sample do not require special accounting books. For instance, United States.
Low rates and wide tax base	Lowering tax rates can increase tax revenues by attracting informal businesses into the formal sector. For instance, Egypt, Greece, Czech Republic