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Globally, Tax Rate Policies Vary As Economies Continue to Reform Tax Compliance Systems

Moscow 19 Nov 2013 — Economies around the world are adopting a range of policies as they strive to strike a balance between raising tax revenues and encouraging growth, according to a new report from the World Bank Group and PwC. This year, 14 economies significantly increased their total tax obligations or the amount of tax a case study company has to pay, while 14 others lowered theirs. In most regions around the world, the rate of decline in the total amount the firm has to pay in taxes continues to slow. The study also reveals that since the study was initiated nine years ago, corporate income taxes have consistently fallen, while labour taxes borne by companies have been more stable and now represent the largest component of the total tax obligations.

The *Paying Taxes 2014* report found that 32 economies continued to take steps during the period from June 2012 through June 2013 to make it easier to pay taxes. The study of tax regimes in 189 economies, released today, found that for the third consecutive year the most common tax reform was the introduction or improvement of online filing and payment systems for tax compliance. The compliance burden (the time to comply with tax obligations and the number of payments) has continued to fall in 2012, but the rate of decline has slowed.

"Revenue authorities around the world are taking steps to streamline and modernise payment systems. Taxpayers in 76 economies can now file tax returns electronically from virtually anywhere on the planet. The use of the latest technologies to enhance the quality of public services boosts transparency and, for many tax authorities, it is also allowing a broadening of the tax base, a development with beneficial macroeconomic implications," said Augusto Lopez Claros, Director, Global Indicators and Analysis, World Bank Group.

The 2014 report finds that on average a medium-sized company has a total tax obligation of 43.1% of profits, making 26.7 payments and needing 268 hours to comply with its tax requirements.

"Reforming the tax system is essential and this study shows that it is not just corporate income tax that is important. It is also a case of making decisions around who needs to be taxed, how they will be taxed, and by how much," said Andrew Packman, leader for Tax Transparency and Total Tax Contribution at PwC. "Trends in the international tax environment such as the globalisation of business, increasing competition among countries for tax revenues, and the increasing proportion of company assets that are made up of intangibles such as brand names, software and know-how, require tax systems around the world to be updated to meet modern needs."

Paying Taxes 2014 measures all mandatory taxes and contributions that a medium-sized firm must pay in a given year. Taxes and contributions measured include the profit or corporate income tax, social contributions and labour taxes paid by the employer, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax, waste collection taxes, vehicle and road taxes, and other small taxes or fees.

For more information about the *Paying Taxes* study, visit: www.pwc.com/payingtaxes.

The *Paying Taxes* annual report builds on the World Bank Group's *Doing Business* reports' chapter on Paying Taxes. For more information on the *Doing Business* report series, visit: www.doingbusiness.org

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The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. It comprises five closely associated institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). Each institution plays a distinct role in the mission to fight poverty and improve living standards for people in the developing world. For more information, please visit www.worldbank.org, www.miga.org, and www.ifc.org.

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