

- I. Paying Taxes methodology***
- II. Regional Comparison***
- III. Findings in Doing Business 2018***

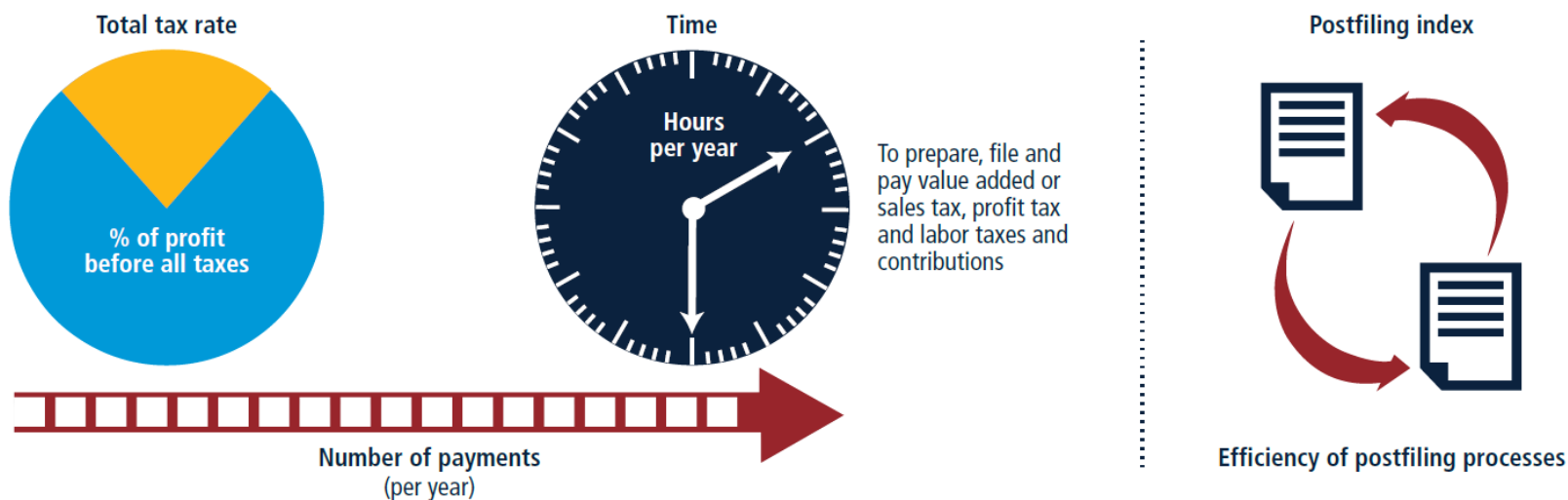
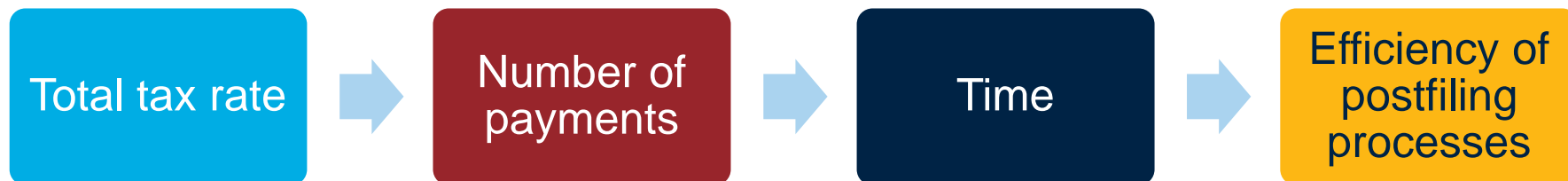


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What does the Paying Taxes indicator **measure**?

As applicable on a local medium-size company



What are the case study assumptions?

- Standardized limited liability taxable company.
- In its 2nd year of operation (January 1, 2016 – December 31, 2016).
- Operates in the country's largest business city.
- 100% domestically owned.
- Has 60 employees: 4 managers, 8 assistants and 48 workers.
- Performs general industrial or commercial activities.
- Does not participate in foreign trade.
- Has a turnover of 1,050 times income per capita.

Total tax rate (% of commercial profits)

What does it measure?

- Amount of taxes and mandatory contributions borne in the second year of operation. Categories of included taxes:
 - (i) profit or corporate income tax
 - (ii) social contributions and labor taxes paid by the employer
 - (iii) property taxes
 - (iv) turnover taxes
 - (v) other taxes (such as municipal fees and vehicle taxes)

How is it measured?

- Only taxes that imply a direct cost to the company
- Sum of all taxes and contributions payable after accounting for deductions and exemptions

Statutory rate vs. total tax rate

- The total tax rate differs from the statutory tax rate, which merely provides the factor to be applied to the tax base

Share of commercial profit

- In computing the total tax rate, the **actual tax payable (in local currency) is divided by commercial profit.**

Payments (number)

What does it measure?

- Total number of **taxes and contributions** paid:
 - **method of filing** and payment
 - **frequency of filing** and payment
 - **number of agencies** involved

Tax types

- Taxes **paid directly** by the company (corporate income tax, property tax, etc.)
- Taxes **withheld** by the company (employee-borne labor taxes, VAT, etc.)

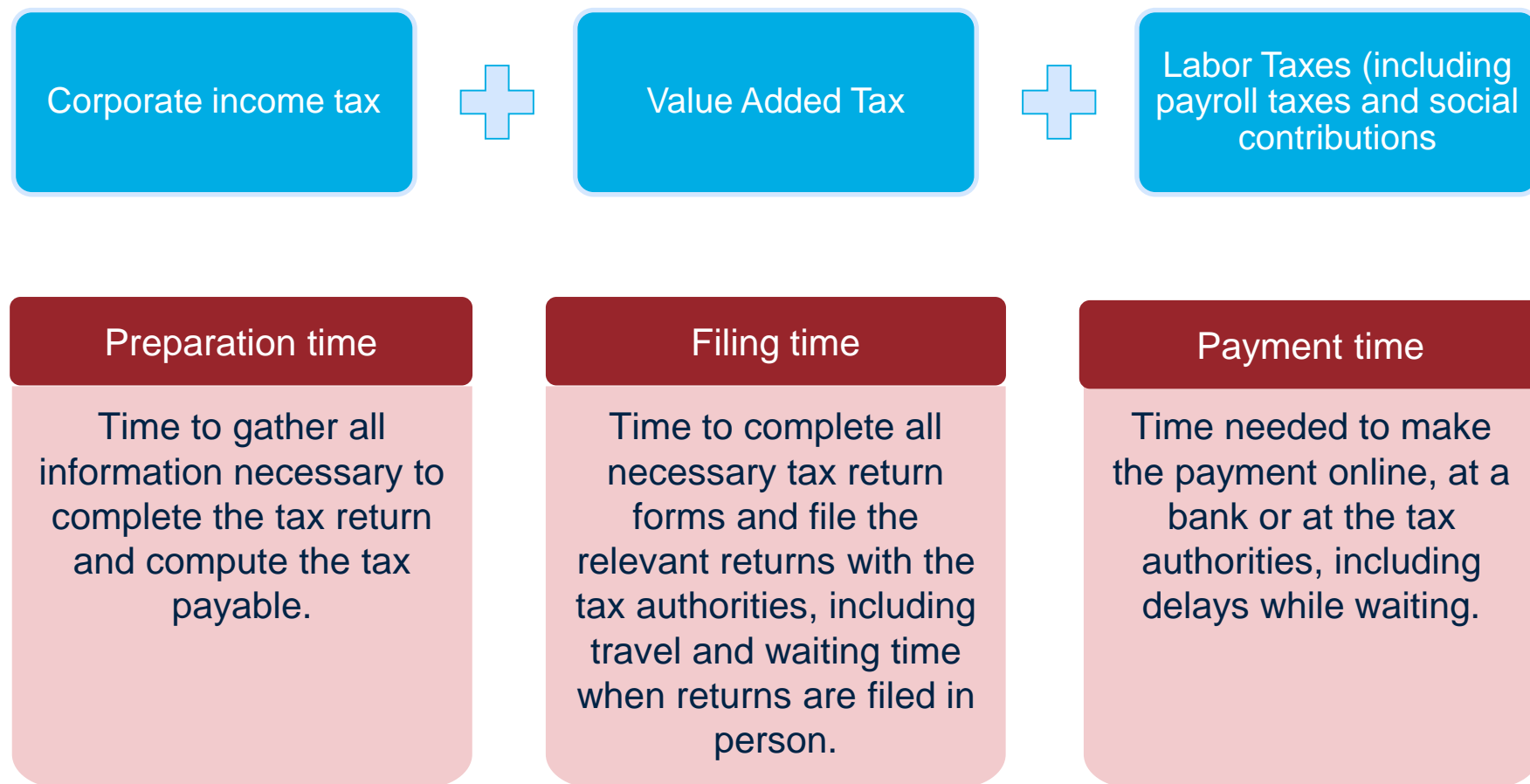
Electronic filing

- Electronic system for **filing and payment** when (i) **used by the majority**; and (ii) **no follow up** with hard copies
- **Counted as 1** even if actual interactions are more frequent

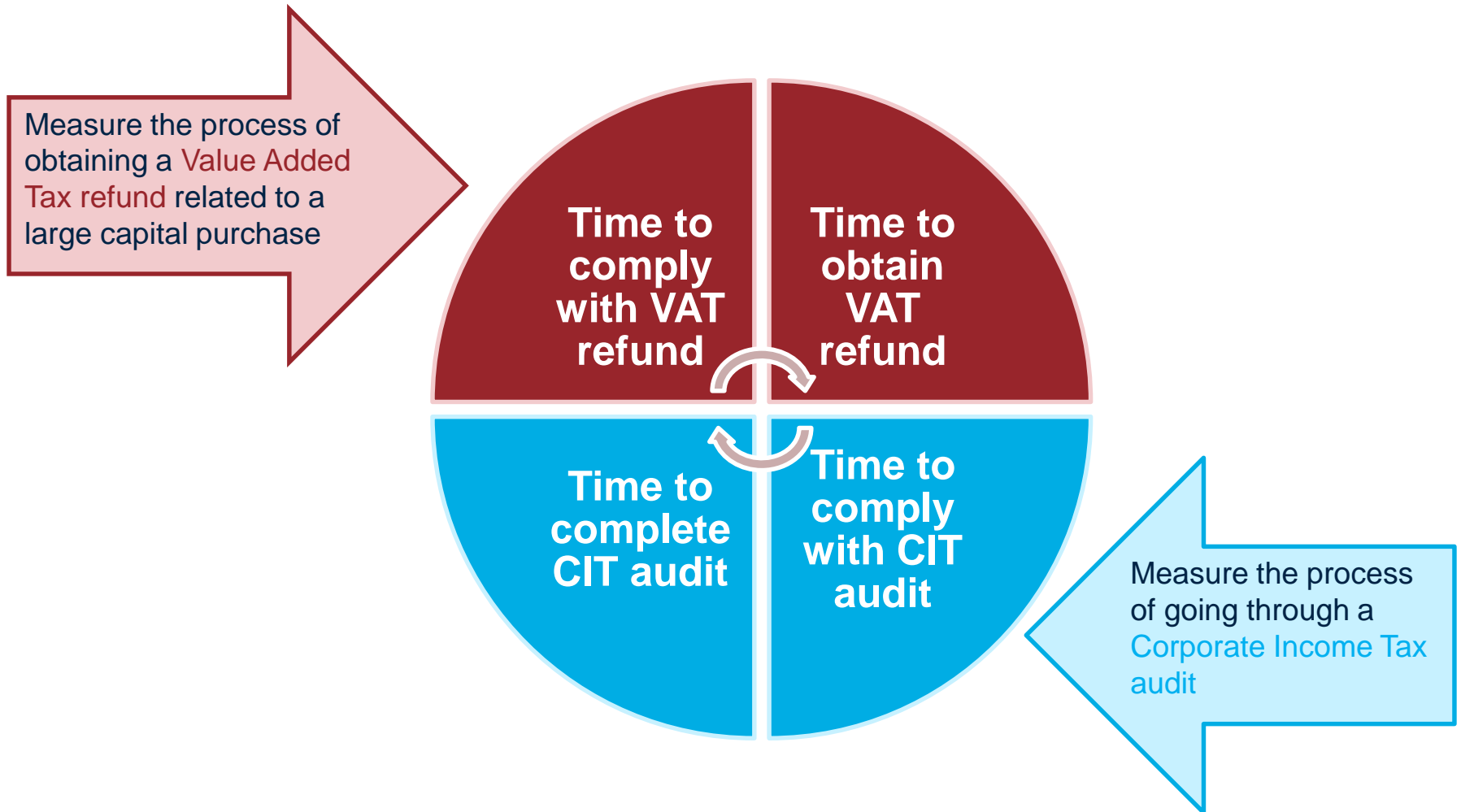
Joint payment

- Where 2 or more taxes or contributions are **filed for and paid jointly** using the same form, each of these joint payments is **counted once**.

Time (hours)



Postfiling processes



What is **not** measured?

-  Taxation in special economic zones.
-  Tax incentives based on criteria other than age or size of the company.
-  Products subject to a special tax regime, for example, liquor or tobacco.
-  Tariffs and other custom duties.
-  Taxes and duties on international transactions.

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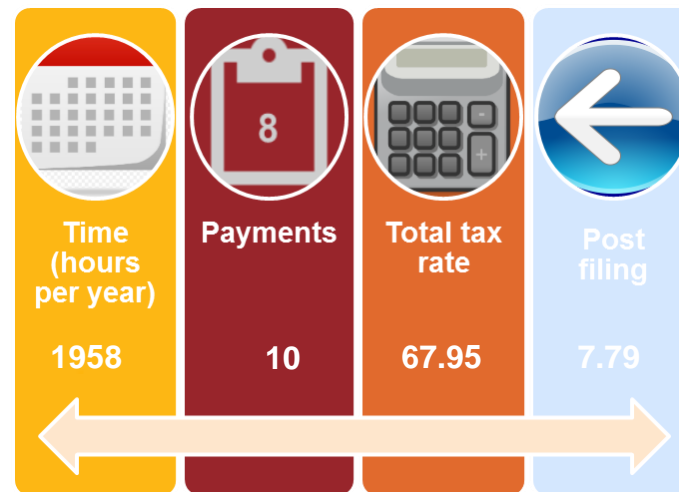
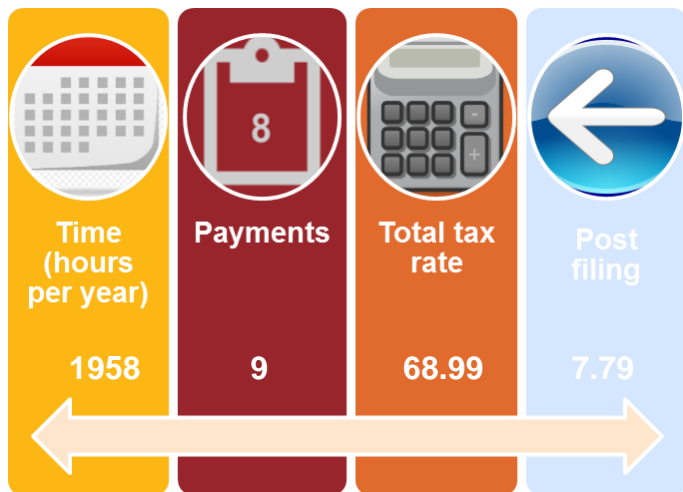
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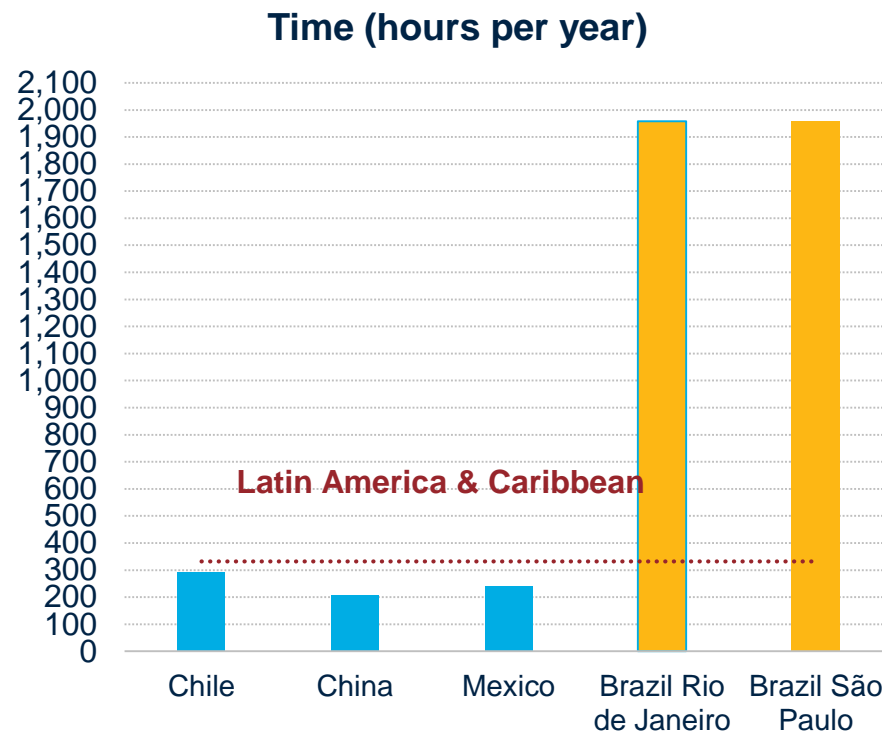
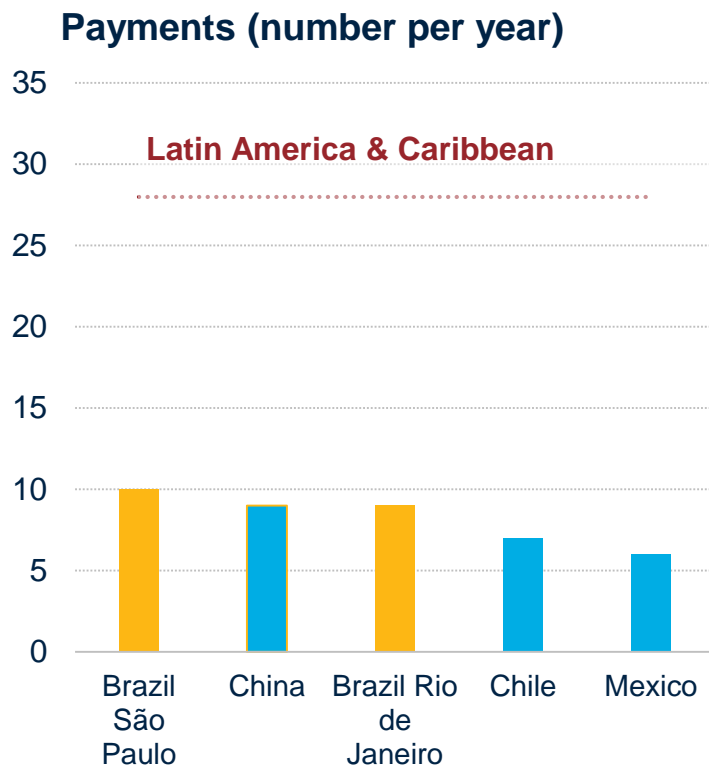
Paying Taxes in Brazil

- Brazil ranked **184th** in *Doing Business 2018*.
- Rio de Janeiro scored **32.94** points in DTF, for the Paying Taxes indicator

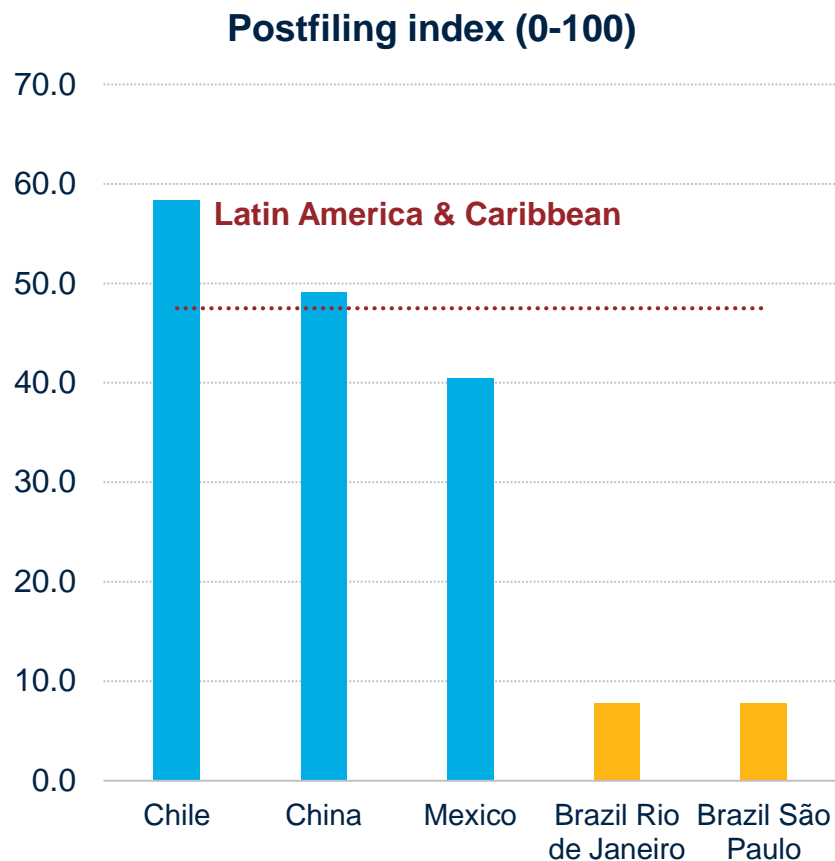
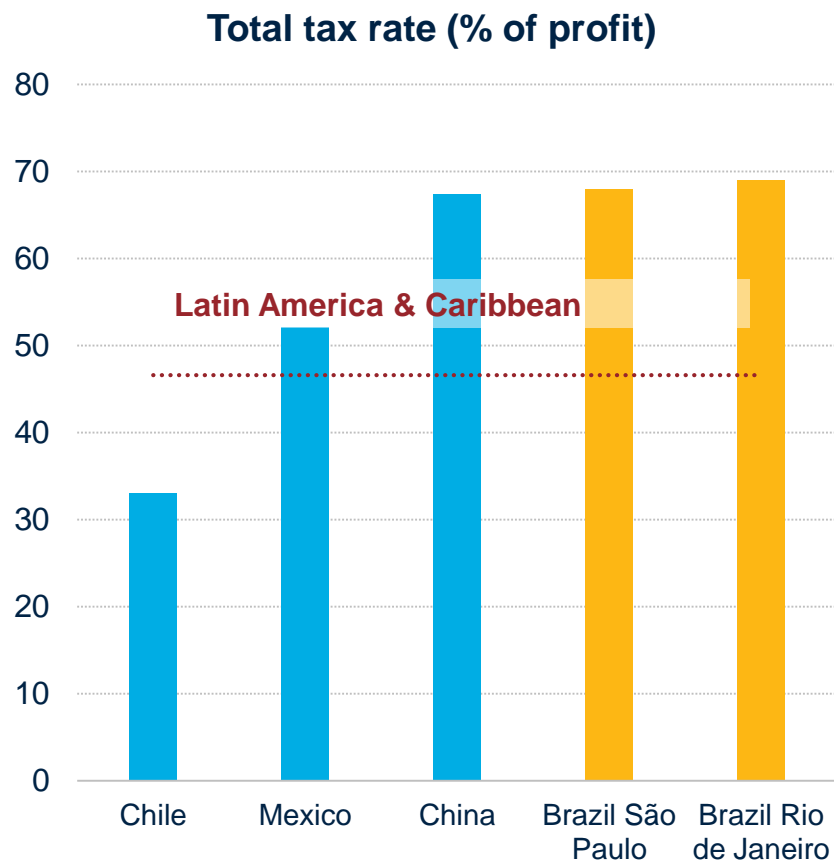
São Paulo scored **32.99** points in DTF for the Paying Taxes indicator.



Paying Taxes in Brazil



Paying Taxes in Brazil



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Reforms making it easier for Paying Taxes in 2016/2017

Reform	Economies	Examples
Introduced or enhanced electronic systems	Botswana; Brunei Darussalam; El Salvador; India; Indonesia; Kenya; Lithuania, Maldives; Morocco; New Zealand; Philippines; Rwanda; Saudi Arabia; Uruguay; Uzbekistan; Vietnam; Zambia	The government of El Salvador mandated all business taxpayers to file their annual income tax return through one of the available electronic methods (software DET or online processing). The system of presentation and payment of all online taxes was consolidated as well.
Reduced profit tax rate	Japan; Norway	Japan adopted the 2016 Tax Reform Bill on February 5, 2016 which reduced the corporate income tax rate at the national level from 25.5% to 23.9% for tax years beginning on or after April 1, 2015.
Reduced labor taxes and mandatory contributions	Belgium; France; Italy; Japan; Ukraine	Ukraine introduced a flat rate of 22% for the Unified Social Contribution tax paid by employers, which replaced the previous differentiated rates.
Reduce taxes other than profit and labor	The Bahamas; Indonesia; Thailand; Zambia	Indonesia reduced the statutory rate for capital gains tax from 5% to 2.5% in 2016.
Simplified tax compliance processes or decreased number of tax filings or payments	China; India; Italy; Mauritania; Palau; Ukraine	India introduced the Income Computation and Disclosure Standards ('ICDS') to standardize the methods of computing taxable income and other tax accounting standards.
Introduced a risk-based tax audit selection system	El Salvador; Thailand	In 2016, Thailand implemented a new automatic risk-based system for selecting companies for a tax audit.
Introduced time limits for processing VAT cash refunds	Senegal	Senegal mandated by law time limits for processing the value added tax refunds. These changes were applied in practice.

Paying Taxes

Good practices



Global good practices

- ✓ Offering electronic filing and payment to reduce operational costs and increase tax compliance
- ✓ Adopt a simple one tax base system
- ✓ Adopt the principle of self-assessment for tax collection
- ✓ Strengthening the tax administration to boost productivity

THANK YOU!

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