World Bank Group:
Indira Chand
Phone: +1 202 458 0434
E-mail: ichand@worldbank.org

PwC:
Sharon O'Connor
Tel:+1 646 471 2326
E-mail: sharon.m.oconnor@pwc.com

Fact sheet

Paying Taxes 2019
Global and Regional Findings: EU&EFTA

The *Paying Taxes* report is a joint annual publication by PwC and the World Bank Group. This year marks the 13th year of the publication. The report is based on the World Bank Group's *Paying Taxes* indicator within their *Doing Business* project and includes analysis and commentary by the World Bank and PwC.

The *Paying Taxes* indicator measures tax systems from the point of view of a domestic company complying with the different tax laws and regulations in 190 economies around the world. The case study company is a small to medium-size manufacturer and retailer with specific assumptions, deliberately chosen to ensure that its business can be compared worldwide on a like for like basis.

The *Doing Business* project, a World Bank Group annual publication which measures business regulations in 190 economies, has been collecting data on paying taxes for 14 years. Besides paying taxes, the *Doing Business* project provides measures of regulations in nine other areas: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, trading across borders, enforcing contracts, and resolving insolvency. It also looks at labour market regulation.

Paying Taxes compares tax systems using four measures: the Total Tax and Contribution Rate ("TTCR": the cost of all taxes borne, as a % of commercial profit), the time needed to comply with the major taxes (profit taxes, labour taxes and mandatory contributions, and consumption taxes), the number of tax payments and the post-filing index. The four measures are each converted to a score of 0 – 100 and the simple average of these scores determines the overall *Paying Taxes* ranking.

The *Paying Taxes* indicator measures all taxes and contributions mandated by government at any level (federal, state, or local) as they apply to the standardised business. The TTCR sub-indicator measures the cost of taxes and contributions that are borne by the company. The taxes included can be divided into 5 categories: profit or corporate income tax, social contributions and labour taxes paid by the employer (for 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 two original compliance sub-indicators, on the time to comply and number of payments, measure taxes borne and taxes collected, and so include taxes and contributions withheld or collected, such as sales tax or value added tax (VAT). The post-filing index measures two processes based on four components—time to comply with a VAT refund (hours), time to obtain a VAT refund (weeks), time to comply with a correction of a CIT return (hours) and the time to complete a CIT correction (weeks).

Some important points to note are that:

1. The sub-indicators are calculated by reference to a particular calendar year. The effect of any change that takes place part way through the year is pro-rated. The most recent data in this study, *Paying Taxes* 2019, relates to the calendar year ended 31 December 2017.

2. The ranking order is based on the World Bank's ease of doing business score (formerly called the distance to frontier score) which is used by the World Bank Group to evaluate each economy's performance relative to the lowest and highest value of each sub-indicator rather than relative to the other economies. This means that economies can see how far they have progressed towards the best regulatory performance, rather than simply looking at how they compare to other economies. A score is calculated for each of the four sub-indicators. The simple average of these four scores then gives the

overall score on *Paying Taxes*. The distribution used to determine the score of the TTCR is non-linear. This means that movements in a TTCR that is already close to the lowest TTCR will have less of an impact on the score of the TTCR. As in previous years, the lowest TTCR for the purposes of the ranking calculation is set at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2016*, which is 26.1%. Economies with a TTCR below this value will therefore not be closer to the best regulatory performance than an economy with a TTCR equal to this value.

3. If in the course of collecting and analysing the data for 2017 it became apparent that data for previous years was incorrect, the necessary adjustments have been made and the sub- indicators recalculated for prior years. Rankings are only revised for the immediate prior year. Any data that refers to 2016 and earlier years is therefore stated after such revisions have been made and so may differ from the data published in previous editions of this study including the global and regional averages.

The key themes and findings are:

- On average, it takes our case study company 237 hours to comply with its taxes, it makes 23.8 payments and has an average Total Tax and Contribution Rate (TTCR) of 40.4%.

- In 2017, the global average results are almost unchanged compared to last year, and yet 113 economies recorded tax reforms.

- Since 2004, the global average time to comply has fallen by 84 hours and the global average number of payments has fallen by 10.3 - both driven by technology.

- High performing economies are introducing even more advanced technology (e.g. machine learning), but some economies are finding it difficult to implement online filing and payment due to the lack of IT infrastructure, cultural barriers and complex legislation.

- On average, labour and profit taxes have each accounted for 40% of the TTCR since 2008.

- In 2017, the profit tax component of the TTCR fell in 58 economies and increased in 37, conversely the labour tax component of the TTCR rose in 39 economies and decreased in 17.

- The average TTCR is around 13% points higher in low-income economies than in high- and middle-income economies.

- The global post-filing score is 59.6 out of 100. The higher score the more efficient it is to receive VAT refunds and correct corporate income tax returns.

- On average around the world, our case study needs 19.6 hours to comply with a VAT refund and it takes 29 weeks to obtain the refund.

- The time to correct a corporate income tax takes 15.1 hours on average. If the correction results in further interaction with the tax authority, it takes 26.1 weeks from the submission of the correction until the completion of any interactions with the tax authority, including audits.

- Improving tax officers' skills is vital for a well-functioning tax system: 97% of economies provide training to tax officers, but only 35% of economies offer regular, periodic training.

Regional details – *EU & EFTA*[1]

[1] European Union & European Free Trade Association (EU & EFTA). The 32 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;

- In 2017, the case study company has an average Total Tax & Contribution Rate (TTCR) of 39.3% in the EU & EFTA region. It takes the company an average of 161 hours to comply with its tax affairs and it makes 11.9 tax payments. All three sub-indicators are below the global average.

- The EU & EFTA region has the most efficient post-filing processes with a post-filing index score of 82.4 (on a scale of 0-100). The region also performs the best in each of the components of the post-filing index apart from time to conclude tax reviews (including audits) with the tax authority.

- In 2017, the TTCR has seen a reduction of 0.2 percentage points, the time to comply has increased by 1.4 hour and the number of payments fell by 0.1.

- Twenty-four of the 32 economies in the region made reforms which affected their TTCR. The greatest reduction in the TTCR was in Hungary, by 6.1 percentage points to 40.3%, as the statutory rate of social security taxes paid by employers fell from 27% to 22% and the starting rate of corporate income tax fell from 10% to 9%. The largest increase in the TTCR was in Italy, of 5.1 percentage points to 53.1%, driven mainly by the reduction of social security exemption applicable for newly hired employees. This was mitigated somewhat by the reduction in the corporate income tax rate from 27.5% to 24% and a 40% uplift on the tax deductible cost of certain assets.

- In 2017, labour taxes and mandatory social security contributions paid by employers continue to account for the largest proportion of the region's average TTCR (65%) and take the most time to comply with (46%), but account for only 24% of the number of payments.

- The time to comply increased by 1.4 hours to 161 hours, mainly driven by the increase in Poland of 76 hours as the introduction of new reporting obligations of the Standard Audit File for Tax (SAF-T) for VAT, as well as other increases in VAT reporting requirements added to the compliance burden.

- At 161 hours, the average time to comply across the EU & EFTA region is 76 hours below the world average (237 hours), and is the lowest of any region, apart from the Middle East (144 hours). Only five of the 32 economies have a time to comply that is higher than the world average.

- Due to the common use of electronic filing and payment systems, at 11.9 payments, the region's average number of payments is the second lowest of all regions after North America.

- A VAT refund is available to the case study company in 31 out of 32 economies in the region (San Marino does not have a VAT system).

- In only 31% of economies in the region there is a greater than 25% chance that the tax authorities will select the case study company for additional review as a result of correcting an error in the corporate income tax return.

- The average time to comply with a VAT refund for the region is 7.0 hours, and it takes on average 16.6 weeks to obtain the VAT refund. In Croatia, Germany, Latvia, Netherlands, Spain, the UK and Malta the VAT refund takes no extra time to claim as the claim is made on the standard VAT return.

- In Italy it would take our case study company 42 hours to comply with a VAT refund and it would wait almost 62.6 weeks to receive the VAT refund. These are the longest times in the region. In Estonia it would take only 2.3 weeks to obtain a VAT refund, the quickest in the EU & EFTA region.

- It takes the case study company on average 7.3 hours to correct the error in the corporate income tax return. The shortest time is 1.0 hour in Portugal and the longest is 36.5 hours in Croatia.

- On average for those economies where the likelihood of a corporate income tax review is greater than 25%, it took 20.8 weeks to complete a CIT correction, ranging from 6.3 weeks in Slovenia to 46.3 weeks in Malta.

- In three economies (Denmark, Luxembourg and the Netherlands) the case study company can only make the payment of the additional tax due after correcting the corporate income tax return once they have

---

Netherlands; Norway; Poland; Portugal; Romania; San Marino; Slovak Republic; Slovenia; Spain; Sweden; Switzerland; United Kingdom.

received an assessment from the tax authority following the submission of the amended return. On average across these three economies it take 3.1 weeks to receive the payment assessment.

For more information about *Paying Taxes*, visit www.pwc.com/payingtaxes.
For more information about the *Doing Business* report series, visit www.doingbusiness.org.

About the *Doing Business* report series

The Doing Business project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

In addition, Doing Business offers detailed subnational reports, which exhaustively cover business regulation and reform in different cities and regions within a nation. These reports provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 190 economies that Doing Business has ranked.

The first Doing Business report, published in 2003, covered 5 indicator sets and 133 economies. This year's report covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, except for 11 economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) where Doing Business, also collected data for the second largest business city. The data for these 11 economies are a population-weighted average for the 2 largest business cities. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business around the world.

About the World Bank Group

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), which together form the World Bank; 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.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with over 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.