

Paying Taxes 2018



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Foreword



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In the twelve years since the first edition of *Paying Taxes*, we have seen rapid and extensive developments in information technology. Thanks to the digital revolution it is now possible to perform a wide range of daily tasks in a way that would have been unimaginable a generation ago. In many countries we can order our weekly shop online, buy a coffee using contactless credit cards or mobile phones and make video calls while walking the dog. At the click of a button we have access to vast amounts of information and we carry in our pockets more computer processing power than was required for the first moon launch.

Information technology has also changed the way businesses collect, record and transmit data and the way that they pay their taxes. It has changed the way tax administrations can communicate with taxpayers, the way they select companies for audit and the way they conduct those audits. Not all economies have been able however to embrace new technologies at the same rate and these differences are evident in the latest set of results in *Paying Taxes 2018*.

Using the perspective of a medium sized domestic manufacturer, *Paying Taxes* looks at how a case study company interacts with tax systems in 190 economies around the world. It assesses not just the amount of tax paid, but how long it takes the company to meet its tax compliance obligations. This includes the time to prepare file and pay the main taxes, as well as the time taken to claim a VAT refund and to deal with a correction to a corporate income tax return.

Since 2004, the first year for which we have data, the most consistent influence on our case study company has been from technological change. Largely as a result of the use of online filing and payment systems and improved access to a range of software, our case study company takes on average 81 hours less to prepare and file its tax returns in 2016 than in 2004.

Despite these sizeable changes in the global average results, we still see for many economies, particularly in the lower income range, that technological change has been slower. There could be a number of reasons for this, perhaps these economies lack the infrastructure and resources to implement such systems, or perhaps taxpayers have been reluctant to make full use of online capabilities. Tax and related technology systems need to be user friendly and have the trust of taxpayers; for example, taxpayers are unlikely to pay their taxes online if they have a mistrust of electronic filing and payment systems more generally. They are also unlikely to want to rely on electronic certificates in an economy where hard copy documentation is the accepted norm. *Paying Taxes* allows governments and tax authorities to see how their tax system compares to that of other economies and to learn from good practice elsewhere, while taking into account their own particular circumstances and what lies behind these.

Information technology

has changed the way tax administrations can communicate with taxpayers, the way they select companies for audit and the way they conduct those audits

This is the second year the post-filing index has been included in the study which looks at the processes for claiming a VAT refund, and correcting an error in a corporate income tax return. Both of these post-filing processes could trigger further investigations, including audits by tax authorities. As tax authorities become more sophisticated in their use of technology and data analytics, they are changing how they select companies for audit and how they conduct those audits. The use of real, or near real time information systems by tax authorities is also increasing. In such systems transaction data is transmitted to tax authorities at, or near the time the transaction occurs – for example monthly submission of payroll and social security payments, or real time submission of sales transactions.

This gives tax authorities the opportunity to scrutinise transactions on a near real-time basis rather than relying on reviews of annual tax returns. Such systems however need to be implemented in an appropriate way with sufficient time and resources allowed for developing, piloting and testing. New real-time systems may add to compliance times as they are first implemented, but they could lead to fewer audits in the future, or to faster VAT refunds. The use of technology also gives tax authorities much greater access to data with the potential for them to use data analytics to better identify high risk companies for audit and to match data from different sources. Using techniques such as robotics it can also allow them to pre-populate tax returns for individuals by combining data from different providers such as employers, banks and pension providers thereby reducing the time spent in preparing personal income tax returns and hopefully speeding up tax collection.

The greater collection and sharing of data between taxpayers and tax authorities also raises important questions about data integrity and cyber-security. Appropriate investment in secure systems by businesses and tax authorities is vital to build trust between everyone who supplies and accesses tax data.

Much of the reduction in the compliance indicators that we have seen so far has come from widespread electronic filing and payment systems. The use of the new wave of real-time systems is currently mainly limited to larger companies in relatively few economies, so their impact on the *Paying Taxes* data has been limited to date. We expect this to change however over the next few years as these technologies become more widespread and filter down to smaller companies. These changes will affect how taxpayers meet their tax compliance obligations and how tax authorities monitor compliance with corresponding changes needed in skills and resources.

Over the next few years, the ways in which companies prepare, file and pay their taxes are likely to continue to change significantly and *Paying Taxes* will follow these developments around the world. Your comments and feedback on the study and its future direction are always very welcome and we would be delighted to hear from you.



Rita Ramalho
World Bank Group



Andrew Packman
PwC UK

Key findings from the *Paying Taxes 2018* data²

On average it takes our case study company 240 hours to comply with its taxes, it makes 24 payments and has an average Total Tax & Contribution Rate (TTCR) of 40.5%.



TTCR
40.5%



Time to comply
240
hours



Number of payments
24



Post-filing
index

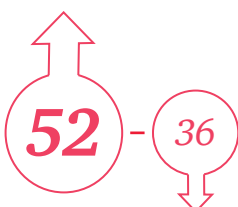
+0.1ppt

The global average TTCR has increased by 0.1 percentage point (2016: 40.5%, 2015: 40.4%).

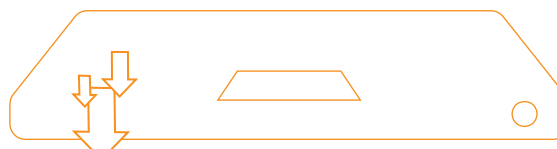
Other taxes

The TTCR for 'other taxes' increased for the first time since 2004.

In 2016, significantly more economies showed an increase in TTCR than a reduction – 52 compared to 36.



The indicators for time to comply and payments have continued to fall reflecting the increasing use of technology

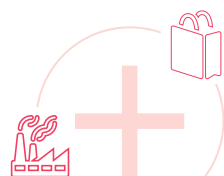


5

Time to comply has fallen by 5 hours since last year



Labour taxes show the greatest reduction in time over the life of the study.



Largest increases arise from:

- Corporate income taxes
- Turnover taxes



Largest decreases arise from:

- Social security
- Stamp duties
- Property taxes



Biggest increases from:

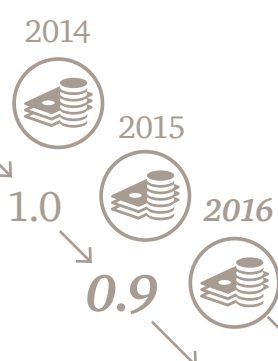
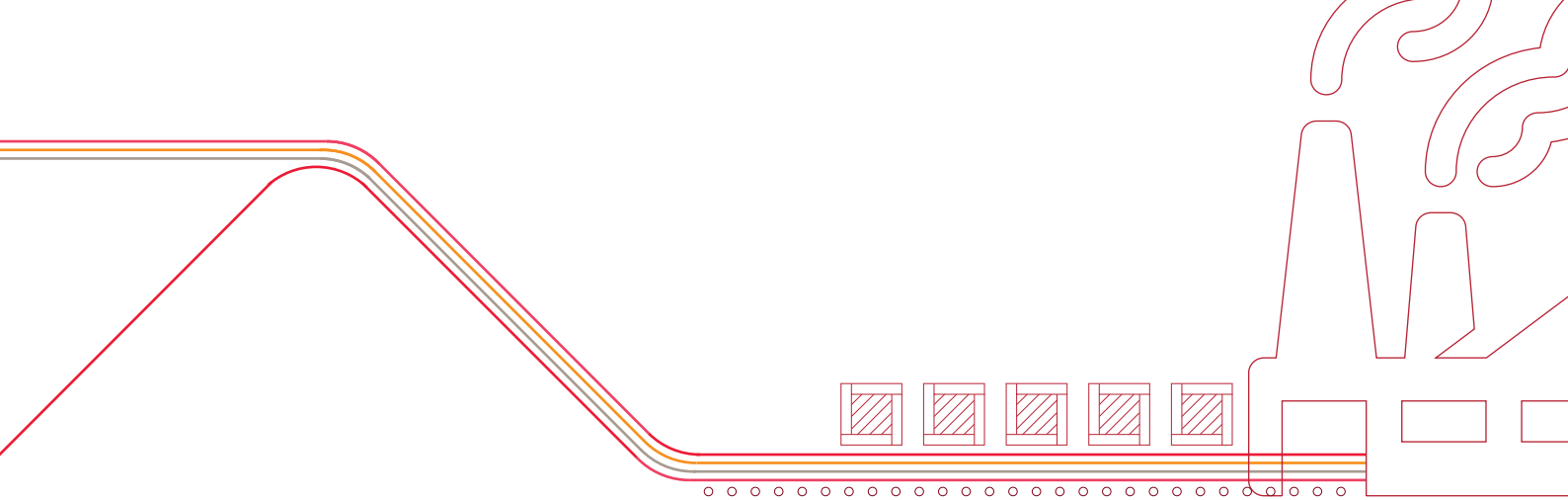
- New taxes
- New systems
- New data requirements



Biggest reductions from:

- Pre-populated returns
- Electronic filing and payment
- Improved tax and accounting software

² The most recent data in *Paying Taxes 2018* relates to the calendar year ended 31 December 2016.



The payments indicator has fallen by around 1 payment for the second year running.



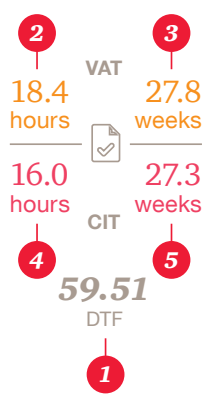
Biggest increases from:

- New taxes in a handful of economies



Biggest reductions from:

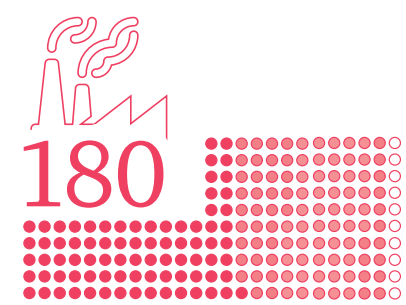
- Increased online filing and payment capabilities
- New web portals
- Greater use by taxpayers of online systems



(1) The post-filing index distance to frontier score (DTF) measures (2) the time to comply with a VAT refund (hours), (3) the time to obtain a VAT refund (weeks), (4) the time to correct a corporate income tax return (hours), and (5) the time to complete a corporate income tax audit, if applicable (weeks).



Of the 190 economies in the study, there are 162 with a VAT system. In 51 of these no VAT refund is available to our case study company.



There are 180 economies with a CIT system. In 81 of them, the likelihood that the case study company will be audited after amending a tax return is greater than 25%.

The EU & EFTA is the best performing region overall across all the elements of the post-filing index.

Overview

52

economies
increased their
TTCR in 2016.

Paying Taxes 2018 shows that around the world and across many different taxes, technology is having a significant effect on the tax obligations of businesses. There is however a mixed picture when it comes to the changes in the amounts and types of taxes that businesses pay.

The Total Tax and Contribution Rate now shows little overall movement

In *Paying Taxes 2018* we have renamed the Total Tax Rate the Total Tax & Contribution Rate (TTCR) to underline the fact that it includes not just taxes, but also mandatory social contributions borne by our medium sized domestic case study company. Only the name is new – the calculation itself remains the same³. The global average TTCR⁴, has remained relatively stable for several years and for 2016 it is 40.5%, up by 0.1 percentage point from the previous year. Around the world, 52 economies increased their TTCR while 36 reduced theirs. The changes are generally very small, albeit the bias this year is to increases, rather than decreases. This may reflect the variety of ways governments are choosing to raise revenue and attract investment in the face of challenges posed by the digital economy, changing business models, demographics and environmental issues. The stability of the TTCR in this study over the last three years also provides some evidence that competition between economies on tax rates has not led to the race to bottom that some commentators feared.

Time to comply and number of payments continue to fall thanks to technology

The movements in the sub-indicators for the time it takes our case study company to comply with profit, labour and consumption taxes, and in the number of tax payments and the way in which it makes those payments, are more marked than the changes in TTCR. This continues a trend we have seen for a number of years, reflecting a continued focus by many governments in developing efficient systems for tax collection.

The time to comply has fallen by 5 hours to 240 hours since last year and the number of payments by almost one payment to 24 payments. These reductions are largely driven by the increased use of technology both by taxpayers and by tax authorities as they introduce and enhance online filing and payment systems. The introduction of new systems and new taxes however could lead to increases in time, at least initially, as taxpayers and tax authorities become familiar with new processes and requirements and as the technology is optimised.

The number of payments indicator is particularly reflective of developments in online filing and payment; where a tax is paid and filed online by the majority of taxpayers, only one payment is included in the indicator, even where payments are made more frequently in practice. This year, we have seen several economies introduce online payment and filing systems which have reduced their number of payments sub-indicator by up to 48 payments.

Post-filing processes can create considerable tax compliance burdens

Paying Taxes includes a sub-indicator to measure two post-filing processes; claiming a VAT refund and correcting a corporate income tax (CIT) return. In both cases the study looks at any interactions with the tax authorities, including audits, that would be triggered by the refund or correction.

The efficiency of these processes is scored using the post-filing index where a score of 100 represents the most efficient processes and 0 the least efficient. The world average is 59.51.

³For more information on the change from Total Tax Rate to Total Tax & Contribution Rate see www.pwc.com/payingtaxes

⁴See <http://www.doingbusiness.org/Methodology/Paying-Taxes> for full details of the case study and methodology and <http://www.doingbusiness.org/Methodology/Methodology-Note> for details on how the data is collected

Tax reforms in the last year have been many and varied

and given the rate at which the world is changing, many more can be expected in the near future

The index is made up of the following elements which are converted to the index score using the World Bank's Distance to Frontier methodology⁵:

- Time to prepare a VAT refund claim and submit any other information requested by tax authorities in any further interactions – world average 18.4 hours
- Time that elapses before the VAT refund is received – world average 27.8 weeks
- Time to voluntarily correct an inadvertent error in a CIT return and submit any other information requested by tax authorities in further interactions – world average 16.0 hours
- Time that elapses until the end of any interactions triggered by the CIT correction – world average 27.3 weeks

Of the 162 economies with a VAT system, in 51 of them a VAT refund is not available to our case study company on a purchase of machinery, usually because VAT refunds are only available to exporters. There are 180 economies with a CIT system. In 81 of these there is a greater than 25% chance that the voluntary correction of the CIT return would lead to our case study company having further interactions with the tax authority, including audits.

High income economies score better on average on the post-filing index than those in lower income brackets. This may be because these economies have better technology and more mature tax systems along with better fiscal resources to make refunds.

Technology affects all parts of tax processes, and its reach is increasing

As shown from the *Paying Taxes* indicators, technologically enabled systems for tax administration can make tax compliance easier, but there is an ever increasing demand from tax authorities for greater amounts of data, sometimes in real-time.

These demands present challenges and opportunities for taxpayers and tax authorities as explored in our article on the future of tax compliance⁶. The potential for technology to enable better risk assessment of companies and to speed up audits and refunds is considerable, but is not without its burdens especially as it pushes more obligations onto smaller taxpayers. Technology cannot however compensate for a lack of well designed tax policy, and the rapidly changing world in which we live continues to create challenges for policy design.

Our country articles⁷ show how technology is crucial to the introduction of new VAT systems in India and the Middle East, while the ongoing digitisation of tax systems in Serbia and Namibia shows considerable progress to date, but with more still to be achieved. The success of the Chinese tax authority in using technology to reduce tax compliance burdens is also explored, along with changes to move towards a more customer oriented tax authority. With the introduction of new systems and new technology, outreach programs to educate taxpayers and tax administrators on what is coming and when, are an important part of the process.

There are some limits to what technology can achieve and simplification of complex and disparate systems also requires political will as in the case of Argentina and India where tax change requires provincial and federal governments to work together.

Paying Taxes 2018 shows that tax reforms in the last year have been many and varied and given the rate at which the world is changing, many more can be expected in the near future. The *Paying Taxes* indicators will continue to reflect these changes and to help Governments and tax authorities as they consider how best to respond to their own particular circumstances.

⁵ For details of the Distance to Frontier calculations see: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB18-Chapters/DB18-DTF-and-DBRankings.pdf>

⁶ The article is available at www.pwc.com/payingtaxes

⁷ The country articles are available at www.pwc.com/payingtaxes

Digital technology in taxation – World Bank Group commentary

Taxes are critical to government spending, including funding social programs in health, education, and infrastructure and in providing a safety net for their citizens. Therefore, tax policies have a significant impact on society as a whole. The design and implementation of tax policies are affected by the technology used in public administrations. Through digital technology governments can implement tax policies more effectively by having better information, building better systems and designing better policies.

This greater storage capacity and computing power also helps tax authorities to better detect tax evasion by tracking and recording a vast volume of transactions. Both sides benefit from a reduction in the potential incidence of corruption, which are more likely to occur with more frequent contact with tax administration staff⁸.

Electronic systems for filing and paying tax are widespread

By 2016, 92 economies had fully implemented

92

economies had fully implemented electronic filing and payment of taxes as measured by *Doing Business* by 2016.

66

economies adopted or enhanced their systems in the past 12 years.

95%

of OECD high-income region economies have such systems in place.

21

economies in Europe and Central Asia use electronic systems.

600

e-services are available to Estonian citizens (including filing and payment of taxes).

Both taxpayers and tax authorities can benefit from digital technology

Crucially, modern technology allows public administrations to interact with their citizens in new ways allowing governments to be more effective and efficient. The most visible of the many benefits of digital technology in tax administrations that are captured in *Doing Business* is the electronic filing of tax returns and the electronic payments of taxes. These electronic systems have reduced the cost of compliance for both taxpayers and governments. For taxpayers, electronic filing saves time by reducing calculation errors in tax returns and making it easier to prepare, file and pay taxes. It also creates a more predictable tax environment as all the information that taxpayers need can be made available online. For tax authorities, electronic filing lightens the workload and reduces operational costs – such as the costs of processing, storing and handling tax returns.

electronic filing and payment of taxes as measured by *Doing Business*. Sixty-six of them adopted or enhanced their systems in the past 12 years. Electronic filing and payment is most common in the OECD high-income region, where 31 economies out of 33 have such systems in place, followed by Europe and Central Asia with 21 economies using electronic systems. Estonia stands out in providing government services online. The government offers 600 e-services to its citizens including filing and payment of taxes, voting online, and consulting medical records⁹. Estonia accomplished this digital transformation by issuing a mandatory electronic identity card to all its citizens. According to *Doing Business*, taxpayers in Estonia spend only 81 hours per year in preparing, filing and paying their dividend tax, VAT and labour taxes including mandatory contributions.

⁸ James, Sebastian. 2009. A Handbook for Tax Simplification. Washington, DC: International Finance Corporation. Available at <http://ssrn.com/abstract=1535499>.

⁹ "Digital identity cards, Estonia takes the plunge". The Economist. June 28, 2014.

Doing Business has recorded several examples of successful transformations in the use of digital technology in taxes.

In Kenya, the money-transfer system M-Pesa transformed how tax policy and administration is conducted. The system includes an online application for tax administration (the iTax System) and allows taxpayers to file and pay taxes electronically. In Uruguay, compulsory electronic payments of national taxes were established in 2014 to gradually increase digitalisation and the

Digitalisation has also allowed governments to track business transactions electronically.

A new trend captured in *Doing Business* is the use of e-invoices. This allows governments to track sales which facilitates more efficient administration of indirect taxes (such as VAT). For example, starting from 2016/17 the Russian Federation has rolled out online cash registers that record information on each transaction electronically. This information is transferred

81

Taxpayers in Estonia spend only 81 hours per year on their dividend tax, VAT and labour taxes.

81

Time to comply with the three major taxes in Uruguay decreased by 81 hours.

2016/17 2015

saw the Russian Federation roll out online cash registers for indirect taxes

saw China launch the “Internet + Taxation Initiative” to unlock the potential of big data for taxpayers’ services

use of the banking services in the country. By April 2016 most taxpayers were filing and paying taxes online. The time to comply with the three major taxes in Uruguay as measured in *Doing Business* decreased by 81 hours. The government added new features to the online platform in 2016 allowing certain procedures – such as registrations, credit certificates applications, payments and accountant certificate submissions – to be performed electronically rather than in person at tax offices.

Another possibility afforded by digital technology in taxation is the pre-population of tax returns by tax authorities using information from third-parties. Taxpayers therefore simply have to verify the information they are presented with, which eases the tax compliance burden.

in real time to a server where the tax authority can access it. The Republic of Korea made the use of electronic VAT invoices mandatory for all taxpayers in 2012 including individual businesses. In 2015, China launched the “Internet + Taxation Initiative” to unlock the potential of big data for taxpayers’ services, such as data sharing among more government bodies, online training and e-invoices. This type of digitisation allows for the formalisation of transactions that were, perhaps, previously undocumented activities¹⁰.

Digital technology in taxation opens ample opportunities for governments and businesses to benefit from lower transaction costs and more effective provision of services. However, technology reforms require careful design and understanding of the challenges if they are not to create uncertainty or impose unnecessary burdens on taxpayers. It is also vital to ensure that as many individuals and businesses as possible are able to access this technology and are ready to take up the new systems.

¹⁰ IMF (International Monetary Fund), 2017. Gupta, Sanjeev; Keen, Michael; Shah, Alpa; Verdier, Genervieve, International Monetary Fund. “Digital Revolutions in Public Finances”. IMF: Washington DC.

The regional picture in 2016

North America

Still the region with the lowest payments indicator

The time to comply and TTCR for the region continue to be below the global average. The region scores well in post-filing, though Mexico performs less well than Canada and the United States due to the longer time taken to obtain a VAT refund and to complete a CIT audit.



Central America & the Caribbean

Compliance sub-indicators improve, but TTCR increases

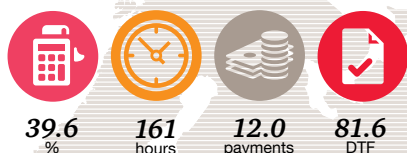
The time to comply and number of payments indicators continue to fall, but the region had the greatest increase in TTCR of all regions for 2016. The region scores below average on the post-filing index as it has the second longest time to obtain a VAT refund.



South America

Still the highest TTCR and time to comply

While the region experienced the greatest reduction in time to comply this year, it still has the highest number of hours by some margin across all the regions for 2016. It also has the highest average TTCR and this has increased slightly. The region has the lowest post-filing score as only two economies allow for a VAT refund for the case study company.



EU & EFTA

All three pre-filing sub-indicators are better than the average, and best for post-filing

The TTCR and time to comply continue to fall while the payments indicator has remained unchanged from last year. The region continues to be the best performer for post-filing processes.



Central Asia & Eastern Europe

Most reformed region since 2004

The region does well on pre-filing where all sub-indicators are well below the global average and they have continued to fall. The region also performs well on the post-filing index where the performance in all of the four post-filing components is better than the global average.



Middle East

Still the easiest region in which to pay taxes

The region continues to have the lowest TTCR and time to comply, but it is however the second worst performing region for post-filing. The forthcoming introduction of VAT in some economies in the region is expected to affect future results.



Asia Pacific

Pre-filing performance is above average, but post-filing is below the average

The time to comply and number of payments indicators have improved in the last year. Despite a slight increase in the TTCR, the region continues to have a rate which is below the global average. On post-filing the region is below average and has the longest time to comply with a VAT refund claim.



Africa

Highest for payments, second highest TTCR and time to comply

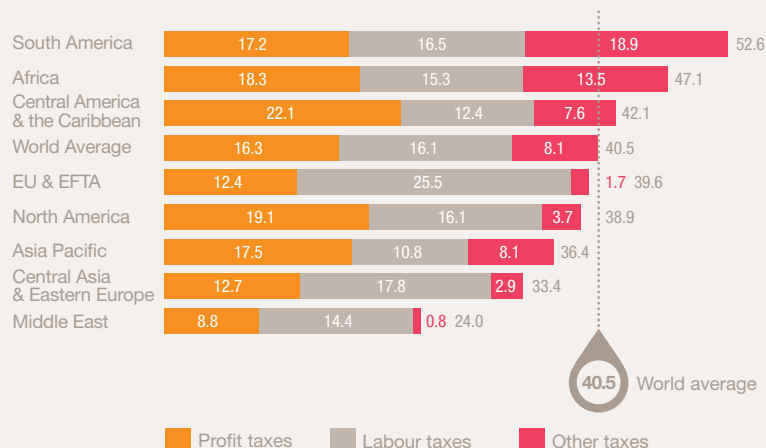
Despite some recent improvement, the region still has the highest number of payments indicator. The TTCR also increased slightly while time to comply fell. The region's below average post-filing score is driven down by a handful of very poorly performing economies.

How do the different regions compare?

Total Tax & Contribution Rate (TTCR) by region for 2016

As can be seen from Figure 1, South America is still the region with the highest TTCR, while the Middle East still has the lowest rate. 'Other taxes' drive up the rate in South America, most notably the turnover tax imposed by the city of Buenos Aires and the turnover based transaction tax in Bolivia. In contrast, 'other taxes' have almost no impact on the TTCR in the Middle East. The TTCR for EU & EFTA continues to be dominated by social security contributions, while globally, and in many other regions, it is profit taxes that account for the greatest share of the TTCR. The order of the regions has not changed since the last study.

Figure 1: Total Tax & Contribution Rate components by region (%)



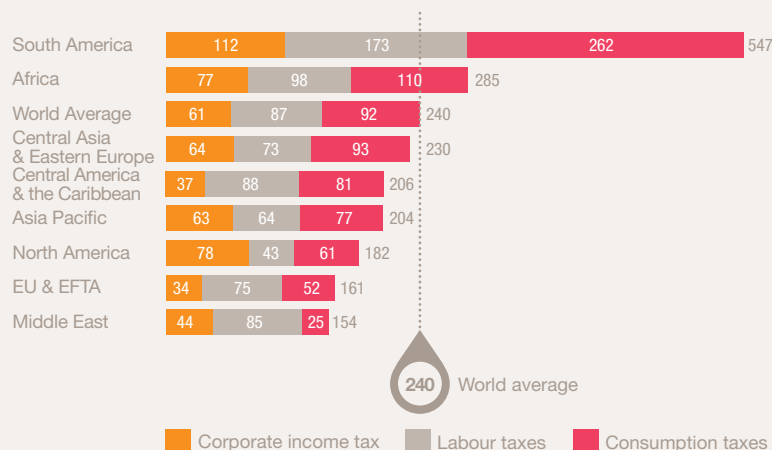
Source: Paying Taxes 2018 data

Time to comply by region

The average time to comply for South America remained the highest by far, driven largely by the hours recorded in Brazil and Bolivia. Despite dropping by 80 hours, Brazil's time to comply is still 8.2 times the world average.

At 160 hours, the EU & EFTA region's time to comply is 80 hours lower than the world average reflecting the efficiency of electronic filing and payment systems in the region. The lowest time to comply is still found in the Middle East, reflecting the relatively few taxes levied on the case study company and a reliance on other sources of government revenues. The order of the regions has not changed since the previous study.

Figure 2: Time to comply components by region (hours)



Source: Paying Taxes 2018 data

Electronic filing and payment

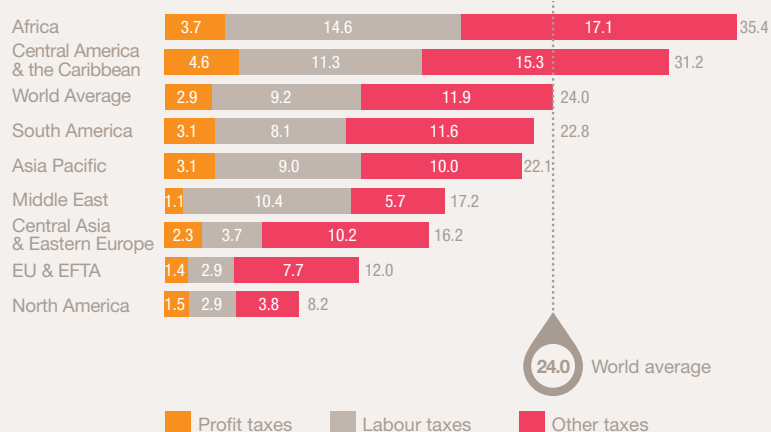
lower the number of payments sub-indicator

Number of payments by region

In North America and the EU & EFTA, the widespread availability of electronic filing and payment keeps the average for the payments sub-indicator low. Africa has the largest number of payments followed by Central America & the Caribbean reflecting the more limited use of electronic filing and payment.

The averages for Asia Pacific and Central Asia & Eastern Europe both fell, improving their standings in the regional comparison. The improvements were driven by an increase in the number of economies with electronic filing and payment (e.g. Uzbekistan, Vietnam).

Figure 3: Number of payments components by region

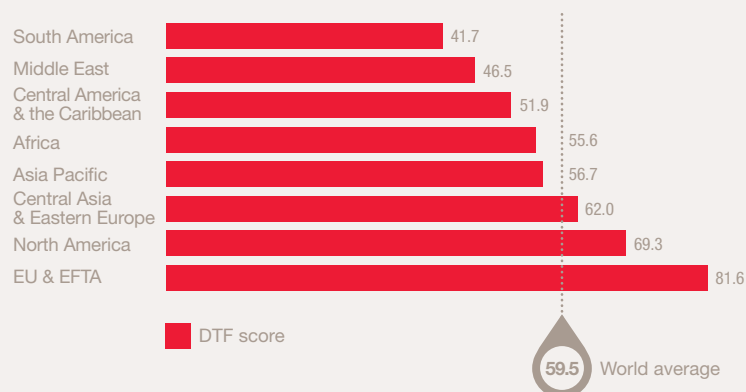


Source: Paying Taxes 2018 data

Post-filing index regional analysis

The post-filing index measures two processes: a VAT refund and a correction made to a corporate income tax return¹¹. These measures are combined to give a post-filing index score from 0-100, with 0 being the least efficient and 100 the most efficient. The EU & EFTA region (81.59) performs the best as correcting a CIT a return does not trigger an audit for the majority of economies, VAT refunds are available for every economy in the region and it has the shortest time to secure a refund. South America has the lowest score on the index (41.66) largely because VAT refunds are not available for ten out of the 12 economies.

Figure 4: Regional comparison of the post-filing index



Source: Paying Taxes 2018 data

¹¹ See <http://www.doingbusiness.org/Methodology/Paying-Taxes> for full details of the case study and methodology

The view from the Middle East

Milestones towards the ambitious GCC VAT introduction

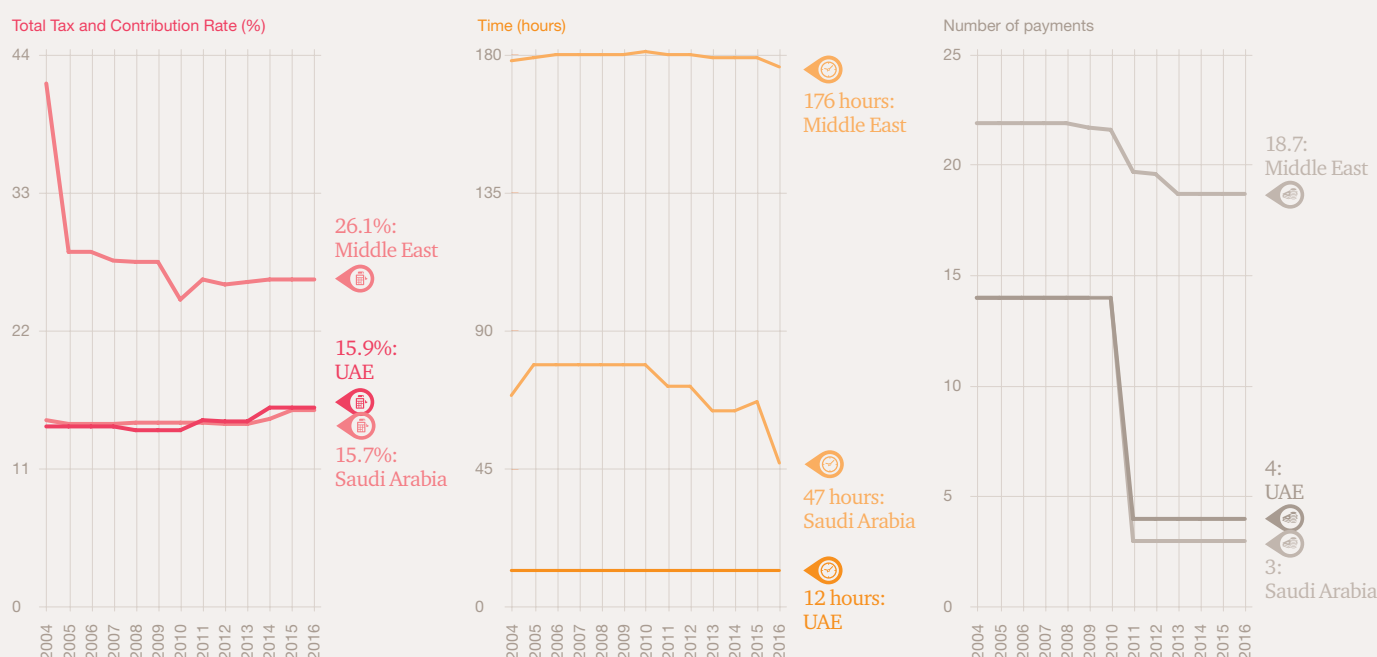
Jeanine Daou
& Phil Beswick,
PwC Middle East

A number of countries in the Gulf Cooperation Council (GCC)¹² have developed a reputation for taking on ambitious projects with accelerated timelines. While developments such as skyscrapers and indoor ski slopes have caught the public's attention, there are many other substantial, though less eye-catching projects, including work on transport, logistics, energy and infrastructure. Many of these projects demonstrate the success of the approach taken.

Implementing VAT across the six member states of the GCC in two years is another ambitious undertaking in the region; especially as two of the countries, Bahrain and the United Arab Emirates (UAE) have limited tax history, jurisprudence or administrative infrastructure. An excise tax system is also being introduced. This is major transformation by any measure. Saudi Arabia and the UAE are the first movers on VAT with a start date of 1 January 2018, but what are some of the main milestones to date?

At the time of writing (mid October 2017), the VAT law was recently officially released in Saudi Arabia and the UAE, with the UAE establishing a new tax authority (the Federal Tax Authority) and issuing a tax procedure law. VAT implementing regulations have been issued by Saudi Arabia and the executive regulations for the UAE are anticipated to be released in November 2017. Over the past few months, in advance of, or in combination with, the publication of the law, website FAQs and information sessions have been held by the government authorities in both countries. Going back further, government announcements have been made about the likely implementation of VAT and have indicated that the broad principles of the VAT model would be in line with concept of a fully-fledged VAT system. More recently we have seen new avenues, for example industry forums, of discussion with taxing authorities.

Figure 5: Trends in Paying Taxes indicators for the Middle East region, Saudi Arabia and the United Arab Emirates



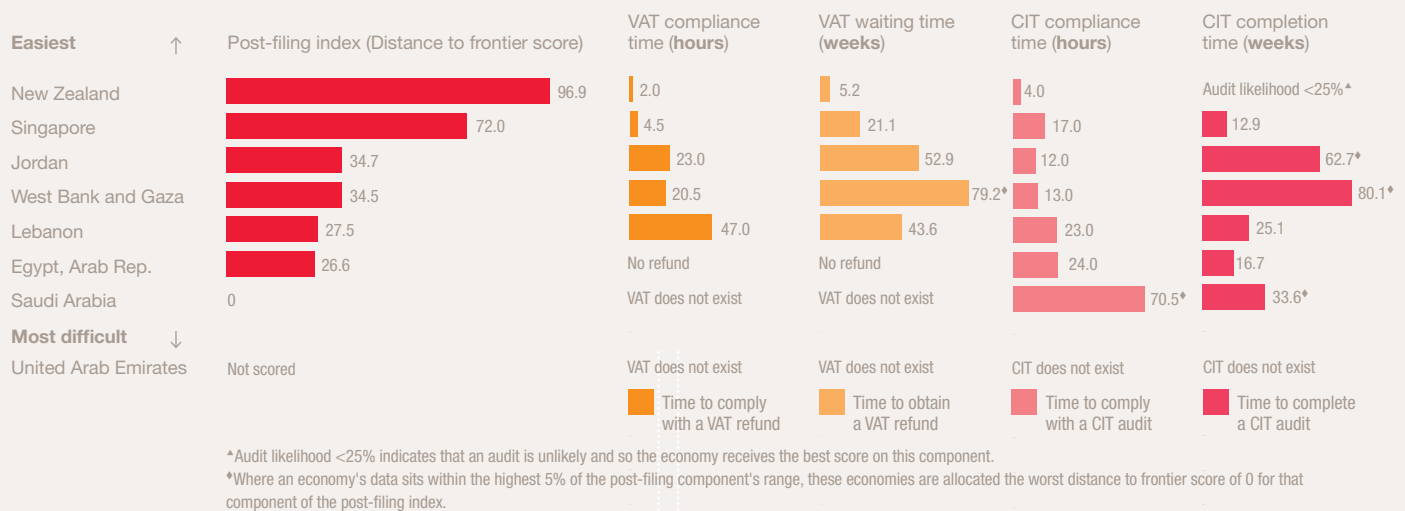
Source: Paying Taxes 2018 data

Note: The trend only considers the economies that have been part of the Paying Taxes study since 2004

¹² The Gulf Cooperation Council includes comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

Six countries over two years: Implementing VAT across the GCC is another ambitious undertaking in the region

Figure 6: Post-filing in Saudi Arabia, the United Arab Emirates and other selected economies



Source: Paying Taxes 2018 data

Society at large and companies have therefore been given notice, and some information, to implement the systems that they need in place to be able to comply with VAT. In doing so many advisors and systems suppliers have boosted their VAT capability – fulfilling an important role alongside the government in the implementation process. The media has also been an important channel of communication.

Certain details on the VAT regulations are yet to be made available. For example, at the time of writing, the VAT treatment of certain transactions, the full set of VAT filing and related data requirements and details of the systems interface with the tax authorities are not yet available. This may mean further systems changes will be needed in the future once these details become available.

Saudi Arabia and the UAE have performed well to date on the *Paying Taxes* sub-indicators, as shown in Figure 5, due in part to the low number of taxes in these countries. The introduction of VAT will increase the number of taxes in the countries with a corresponding impact on the time and payments indicators. The new post filing indicator in the *Paying Taxes* methodology will be valuable to measure the level of success of governments over time in implementing an efficient VAT system. We have seen already the potential impact in the region, where the *Paying Taxes* distance to frontier score of some economies changed significantly because of the corporate income tax audit aspects of the post filing indicator. As shown in Figure 6, the impact of the VAT refund process varies considerably between economies and it will be interesting to see how Saudi Arabia and the UAE fit within this range. The introduction of new taxes in any society involves a period of adjustment for taxpayers and the public at large; there will inevitably be a period of transition. Post 1 January 2018, the use of knowledgeable teams and efficient processes and technology will be critical in ensuring a workable transition

Governments, companies and other stakeholders all have a shared interest in this ambitious VAT transformation not being at the cost of doing business in the region.

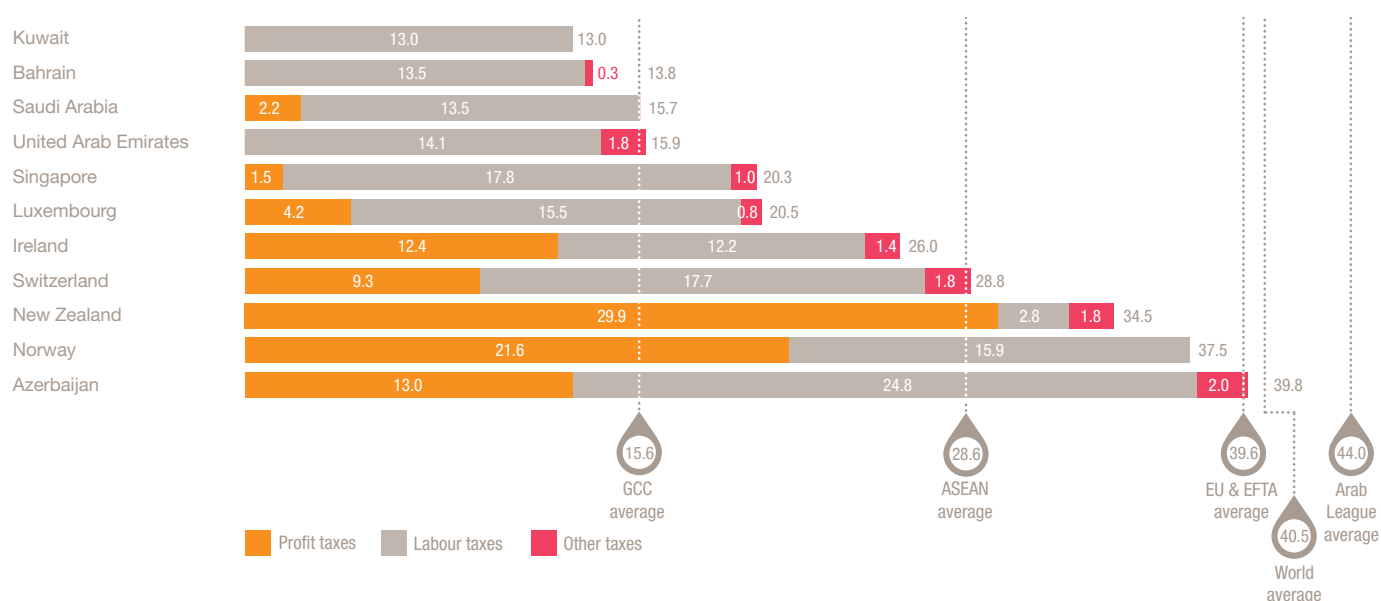
Key regional charts for the Middle East

This section contains charts showing the *Paying Taxes* data for 2016 for economies and regions that are relevant to our Middle East region and in particular to the United Arab Emirates and Saudi Arabia.

Information on all economies and regions can be found at www.pwc.com/payingtaxes where you can build your own comparisons using our interactive data explorer.

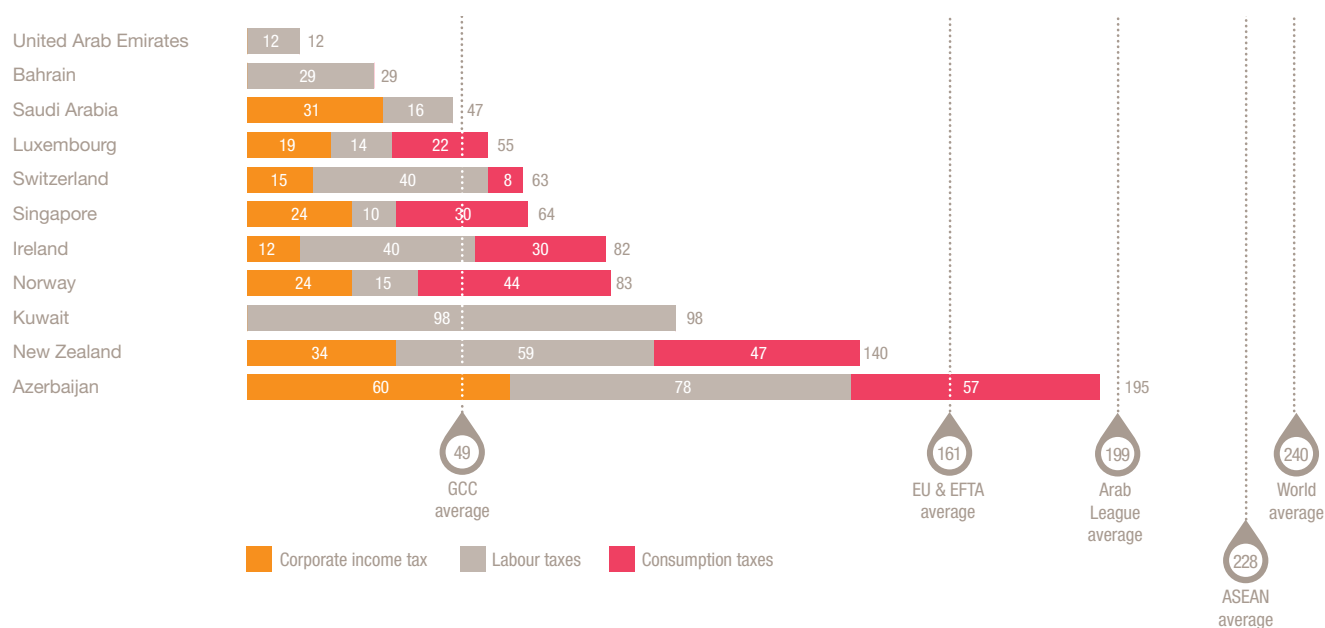
Paying Taxes 2018 data for the United Arab Emirates and selected comparison regions and economies

Figure 7: Total Tax and Contribution Rate (%) for UAE and selected peers



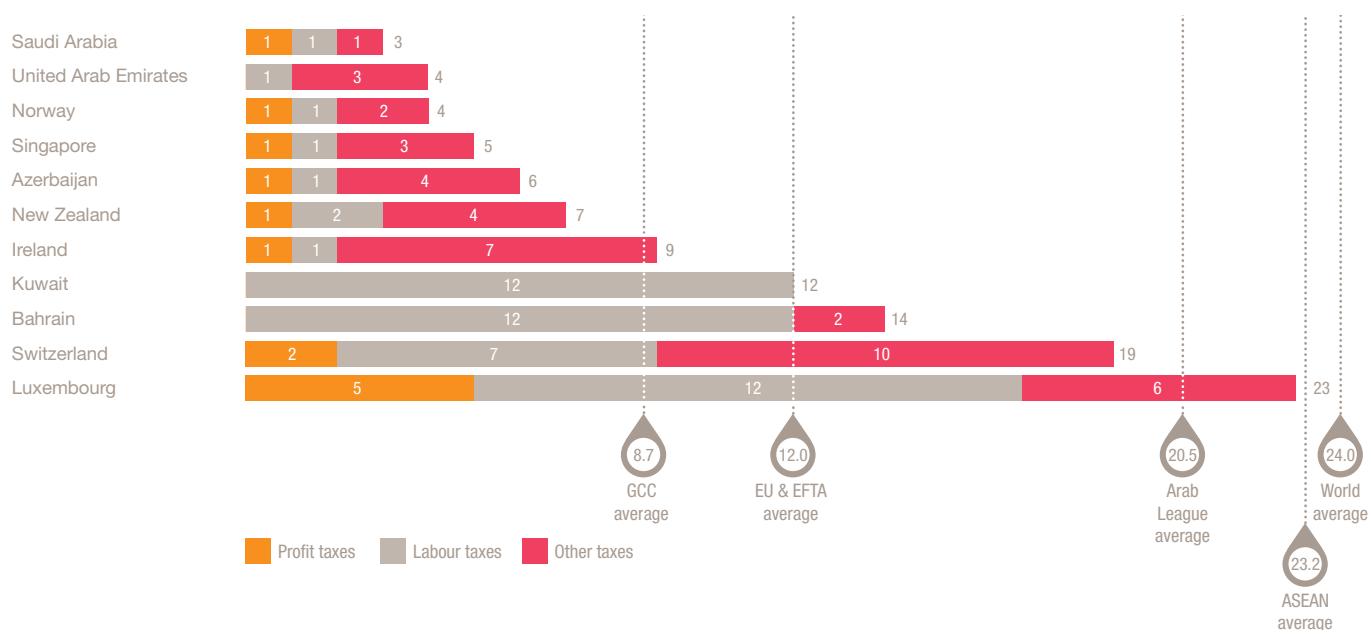
Source: Paying Taxes 2018 data

Figure 8: Time to comply (hours) for UAE and selected peers



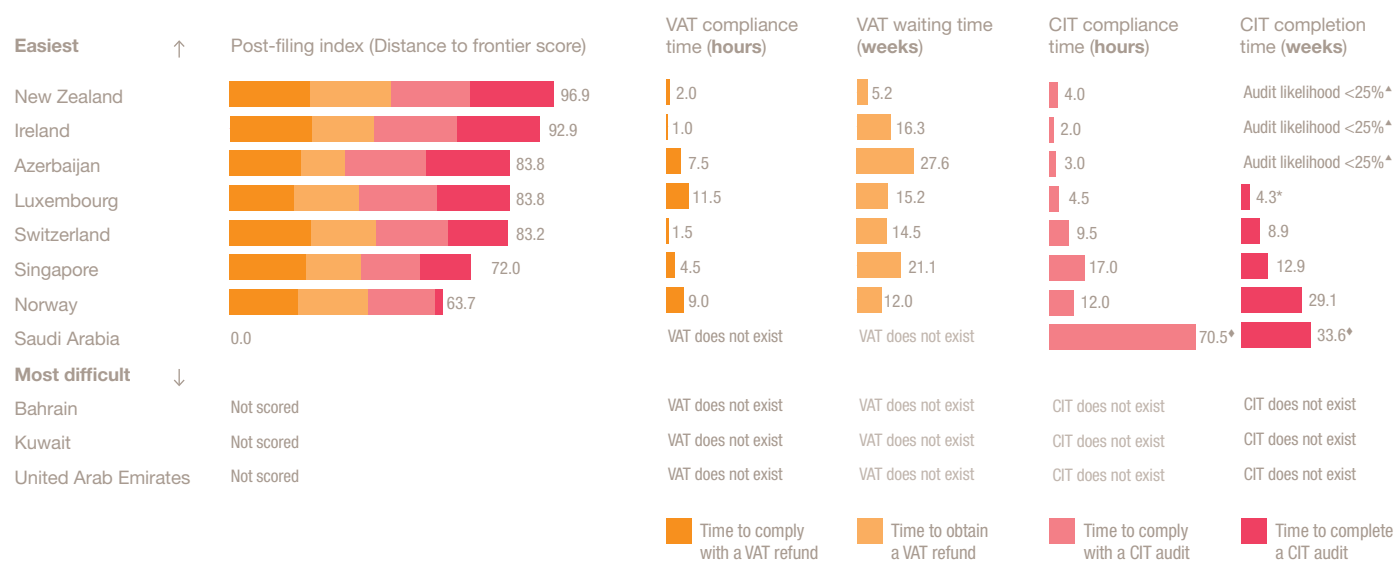
Source: Paying Taxes 2018 data

Figure 9: Number of payments for UAE and selected peers



Source: Paying Taxes 2018 data

Figure 10: Post-filing index for UAE and selected peers



*Audit likelihood <25% indicates that an audit is unlikely and so the economy receives the best score on this component.

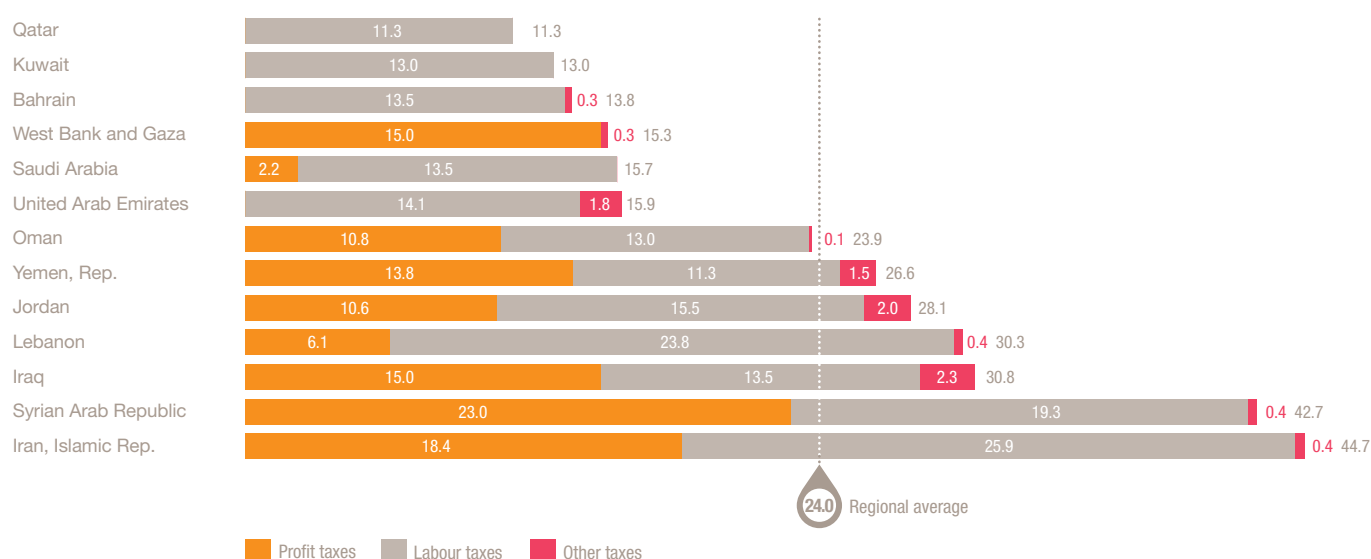
*Where an economy's data sits within the highest 5% of the post-filing component's range, these economies are allocated the worst distance to frontier score of 0 for that component of the post-filing index.

*Likelihood of audit is <25%, however further interactions with tax authorities are needed before the company can pay the additional tax due. This time is accounted for in the CIT completion time.

Source: Paying Taxes 2018 data

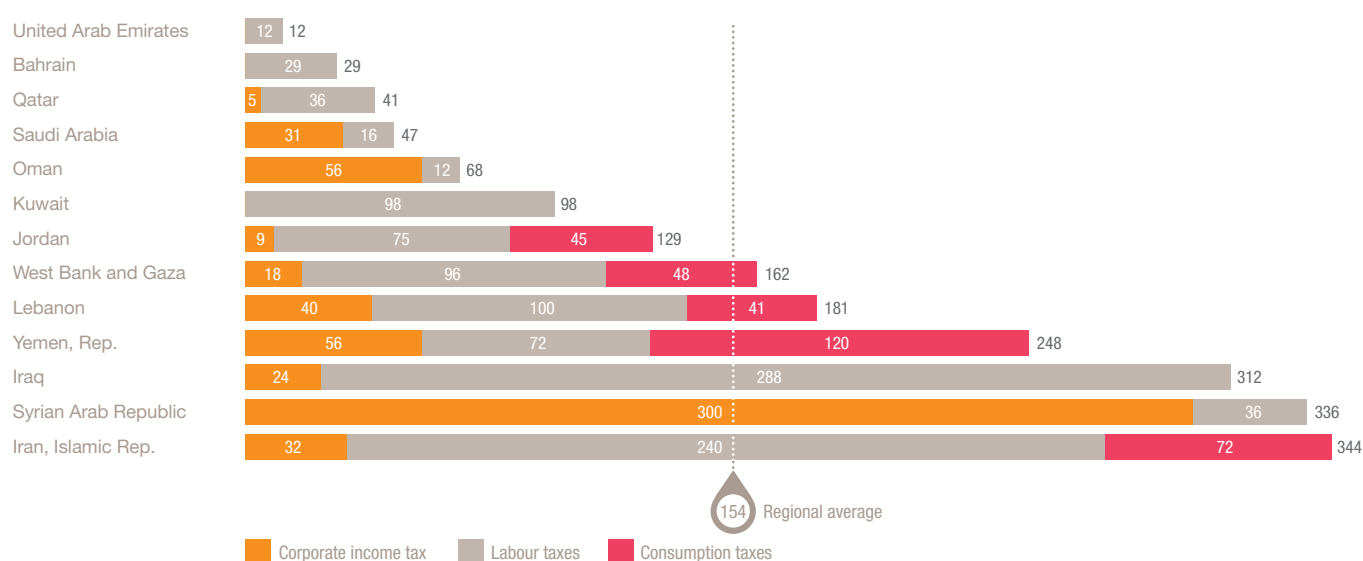
Paying Taxes 2018 data for economies in the Middle East

Figure 11: Total Tax and Contribution Rate (%) in Middle East



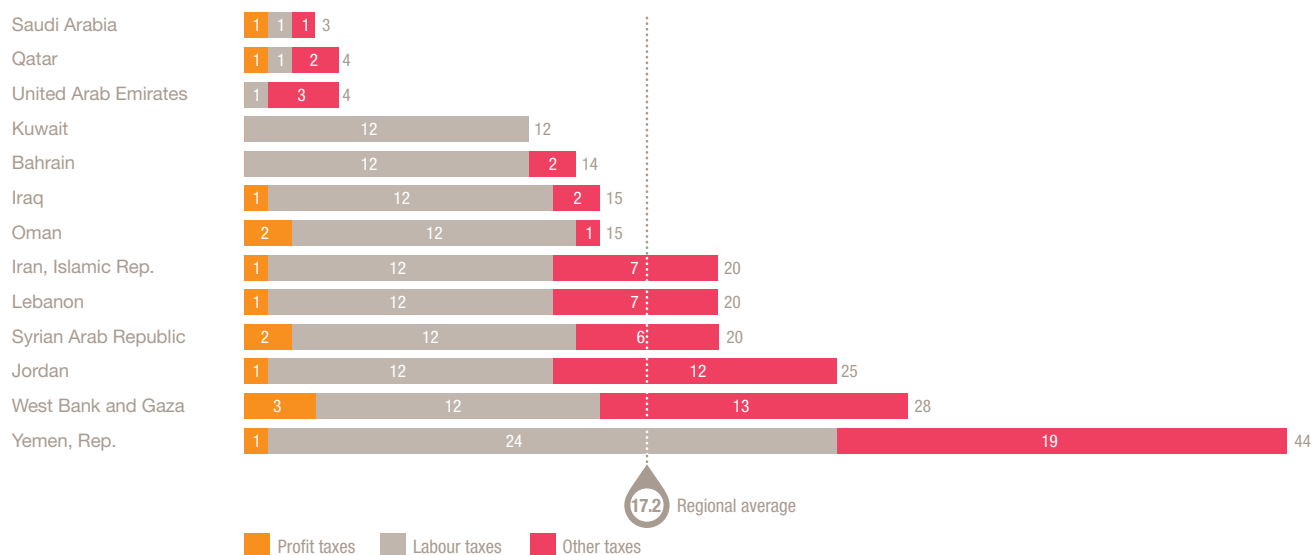
Source: Paying Taxes 2018 data

Figure 12: Time to comply (hours) in Middle East



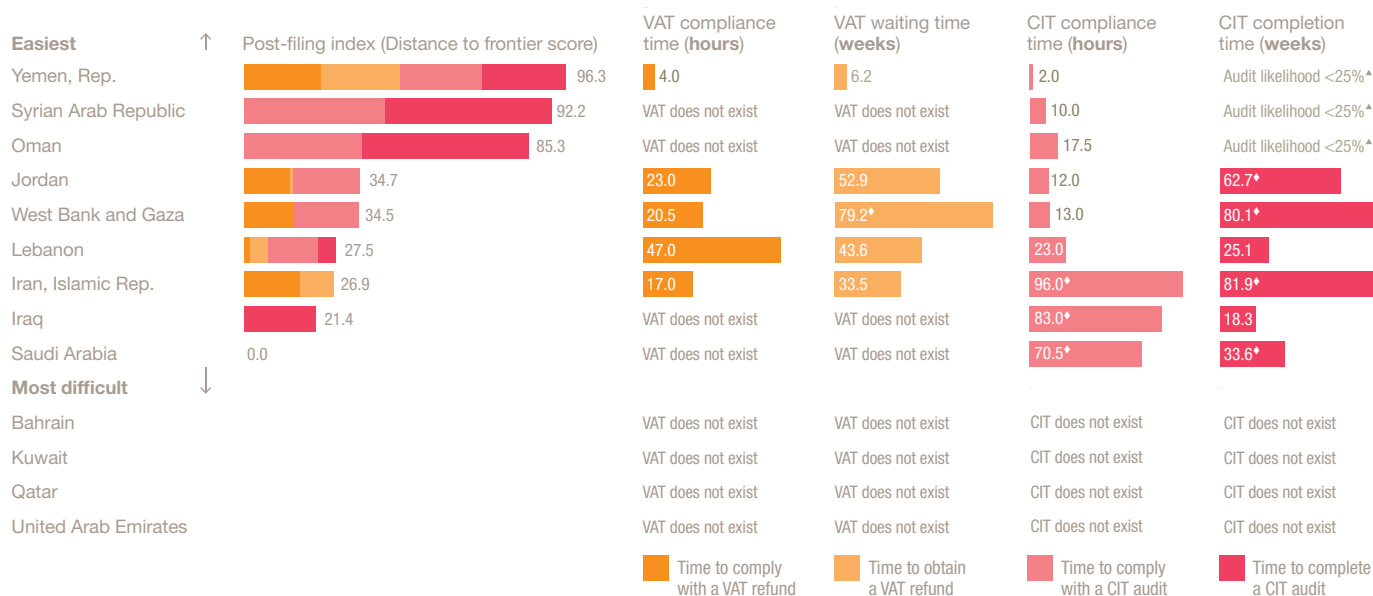
Source: Paying Taxes 2018 data

Figure 13: Number of payments in Middle East



Source: Paying Taxes 2018 data

Figure 14: Post-filing index (distance to frontier) and components (hours/weeks) in Middle East



*Audit likelihood <25% indicates that an audit is unlikely and so the economy receives the best score on this component.

*Where an economy's data sits within the highest 5% of the post-filing component's range, these economies are allocated the worst distance to frontier score of 0 for that component of the post-filing index.

Note: There are some cases, where there is "No practice yet", "VAT does not exist" or "CIT does not exist", these components of the post-filing index are ignored and the remaining components are averaged to create the post-filing distance to frontier score. Where there is "No refund", these economies are allocated the worst distance to frontier score of nil for that component of the post-filing index.

Source: Paying Taxes 2018 data

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