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Worldwide Tax Reforms Continue to Encourage a Return to Growth and Sustained Revenues

London, November 10, 2011—Governments continue to reform their tax systems, according to a new report by the World Bank, IFC, and PwC. One hundred and twenty three out of 183 economies measured have made significant regulatory changes since 2006 to ease tax burdens for small and midsize firms, as governments seek to increase business registrations and relieve the impact of the global economic downturn.

Launched today, *Paying Taxes 2012* finds that 33 economies made it easier and less costly to pay taxes from June 2010 through May 2011. The most common tax reform was the increased use of online systems to facilitate tax compliance, introduced in 23 economies. Electronic filing and payment reduces the amount of paperwork, allows a more targeted and risk based approach to audit and compliance, and can help eliminate corruption.

Paying Taxes 2012 measures all mandatory taxes and contributions that a midsize firm must pay in a given year. Taxes and contributions measured include the profit or corporate income tax, social contributions and labor 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.

The report found that the total tax rate for small and midsize companies has fallen by 8.5 percentage points since 2006, more than one point per year. During that period, the time it takes to comply with business taxes declined by more than a day a year (54 hours), and the number of payments required dropped by five.

"The high number of reforms in tax administration shows that improving the tax system for businesses is high on the agenda for governments," said August Lopez Claros, Director, Global Indicators and Analysis, World Bank Group. "If they create a system that is easy to comply with, it is more likely that businesses will operate in the formal economy and provide a more sustainable source of revenue than debt or aid."

Globally, the average Total Tax Rate for a small to midsize company is now 44.8 percent of its commercial profit. Complying with tax regulations takes an average of 28.5 payments and a total of 277 hours.

"Governments have it in their control to develop tax systems that foster business investment and make the private sector an engine for a return to economic growth and prosperity," said Andrew Packman, a tax partner at PwC UK. "Reducing rates and making the compliance less burdensome helps companies focus on making their business grow."

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), 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

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