

Practical Solutions to Client Needs: Business Tax Simplification Product

Global Tax Simplification Team
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Why Simplify Business Taxation?

■ **Our objective:** Smart and simple tax administration and processes to lower the cost of doing business

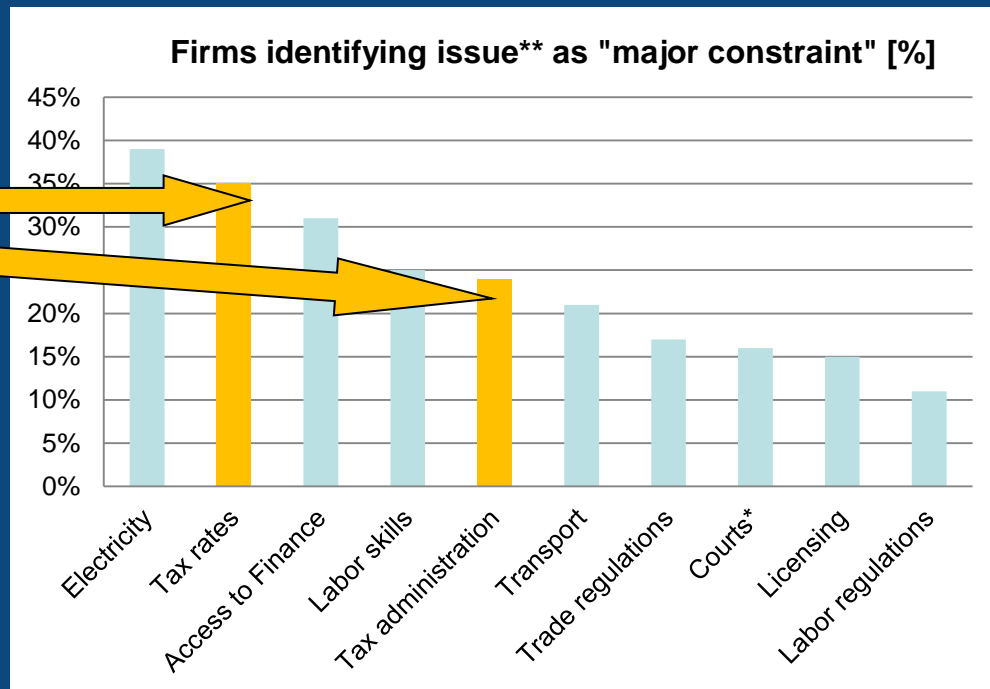
■ Tax rates and tax administration constantly ranked across regions among **top 5 major constraints** for businesses

■ **Filling the niche:**

- We bring **business perspective**
- **Agenda setters** on SME Taxation and Tax Compliance Costs
- **Collaboration** with key players: IMF, World Bank, OECD, ITD

■ **Development and Growth Goals**

- Create a “**culture of taxation**”
- Regularization of the rule of law
- To increase the size of **the formal sector**
- To promote growth



• Source: Investment Climate Assessments [all countries, 2002-10]

* Data for "Courts Functioning" only available since 2006.

** Excludes "corruption", "crime", and "informality".



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Meeting Client Demand with KM and Operations

Workstreams		Issues addressed	Tools
■ Tax Administration Simplification	➔	Business tax administration is burdensome (CIT, VAT)	■ METR Analysis ■ Tax Admin Process Mapping ■ Standard Cost Model (SCM) ■ Compliance Costs Surveys ■ Inventory of Fees & Charges ■ Incentives Review ■ Profit –Margin Analysis
■ Sub-national Taxes & Regulations	➔	Misuse of regulatory fees as revenue tools (esp. sub-national)	
■ Small Business Tax Reform	➔	Small business facing high compliance costs	
■ Tax Legal & Appeals Reform	➔	Overly complex, cluttered tax laws & appeals system	
■ Risk-based Audit System	➔	Excessive and discretionary tax audits	
■ Tax Incentives Reform	➔	Tax competition has led to sub-optimal tax incentive structure	
■ International Taxation	➔	Distinguishing between tax <i>evasion</i> and tax <i>avoidance</i> ; Transfer pricing	

Diverse Clients. Tailored Advisory Services



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Some examples on the link with trade, industry specific IC reform, and investment policy

■ Tax Incentive Reform

- **Tax incentives** remain a key component in any investment, trade promotion strategy in our client countries

■ Administrative Simplification

- **VAT (refunds)** are is often a key constraint for exporters
- Industry specific tax constraints usually require **economy-wide solution design**

■ International Taxation

- **Transfer Pricing** and trade: Around 2/3 of the world trade transactions is performed within multinational companies

■ Transparency

- Non-compliance a binding constraint for institutional investors (Central Asia); compliance mgmt is closely linked to trade



Thank you



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