

Leading the V4



***Paying Taxes 2014* is a unique study that investigates and compares tax regimes across 189 economies worldwide – including Slovakia – ranking them according to the relative ease of paying taxes.**

Paying Taxes is a part of the World Bank Group's Doing Business project. To achieve objectivity, the project uses a case study scenario that is applied to a medium-sized local manufacturing and retail firm, purposefully selected in this way so that firms from all over the world can identify themselves through its business. A standard sample of facts has been given and, therefore, the generated tax indicators can be compared in different economies without being significantly distorted due to tax incentives and tax reliefs provided to specific industries. This "model" firm is basically a simple local entity, thus ensuring the project results are solely subject to the local tax system.

The overall ranking has resulted from three sub-indicators: the number of tax payments, the time required for tax compliance, and the overall tax rate that measures the overall tax burden of a standard local entity. The *2014 Paying Taxes* edition was prepared from June 2012 to June 2013 and was based on legislation applicable on December 31st, 2012.

Slovakia ranks 102nd in overall Paying Taxes ranking

Economies like United Arab Emirates, Qatar, and Saudi Arabia ranked at the top. For Slovakia, an EU member, it is relevant to be compared with similar economies, such as the V4 countries. This year Slovakia has again ranked best among the neighboring V4

countries (view the table below).

Ranking	Overall Paying Taxes 2014 ranking
Slovak Republic	102
Poland	113
Czech Republic	122
Hungary	124

On the other hand, the position of Slovakia has worsened by two ranks compared to last year. In the context of restrictive consolidation actions taken by individual countries, the decline in overall ranking is insignificant. However, it should be noted that this slight drop indicates that some countries managed to achieve better results by reforming their tax system in the surveyed period. Looking at the parameters of

countries that scored higher in the ranking, we find that if Slovakia wants to improve its position in the ranking it should focus on:

- reducing the tax burden on labor;
- computerizing tax administration; and
- simplifying the tax system.

It's not enough to know where you've been. You also need to analyze where your burden of taxation may be heading. *Paying Taxes* provides an overview of global and regional trends in taxation over the past nine years. There are radical proposals under discussion which may change the way in which the international tax system works, and so providing robust information to inform those discussions has never been more important.



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Paying Taxes 2014: Key themes and findings



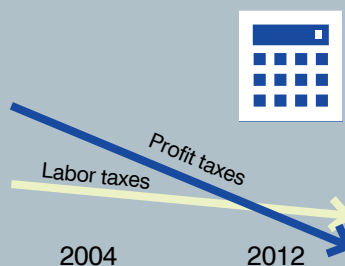
On average it takes our case study company 268 hours to comply with its taxes, it makes 26,7 payments and has an average Total Tax Rate of 43,1%.



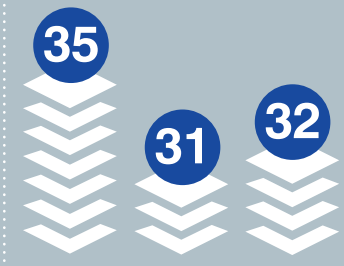
On average across the nine years of the study, the cost of tax – the Total Tax Rate (the taxes borne) – has fallen by nine percent; the time to comply has fallen by 55 hours (almost seven days); and the number of payments has fallen by seven.

On average, complying with consumption taxes has always taken the longest time.

While the global average Total Tax Rate fell in 2012, 14 economies significantly¹ increased their rate while 14 reduced it.



Over the nine years of the study, the Total Tax Rate attributable to profit taxes has fallen faster than that for labor taxes so that labor taxes are now the largest element of the Total Tax Rate.



Reforms continue around the world. Between June 2012 and June 2013, 32 economies made it easier to pay taxes. In the last three years, the majority of the reforms have been focused on introducing or improving electronic systems.

¹ We regard a significant movement in a sub-indicator as being a movement of 5% or more of the global average for that sub-indicator.

