

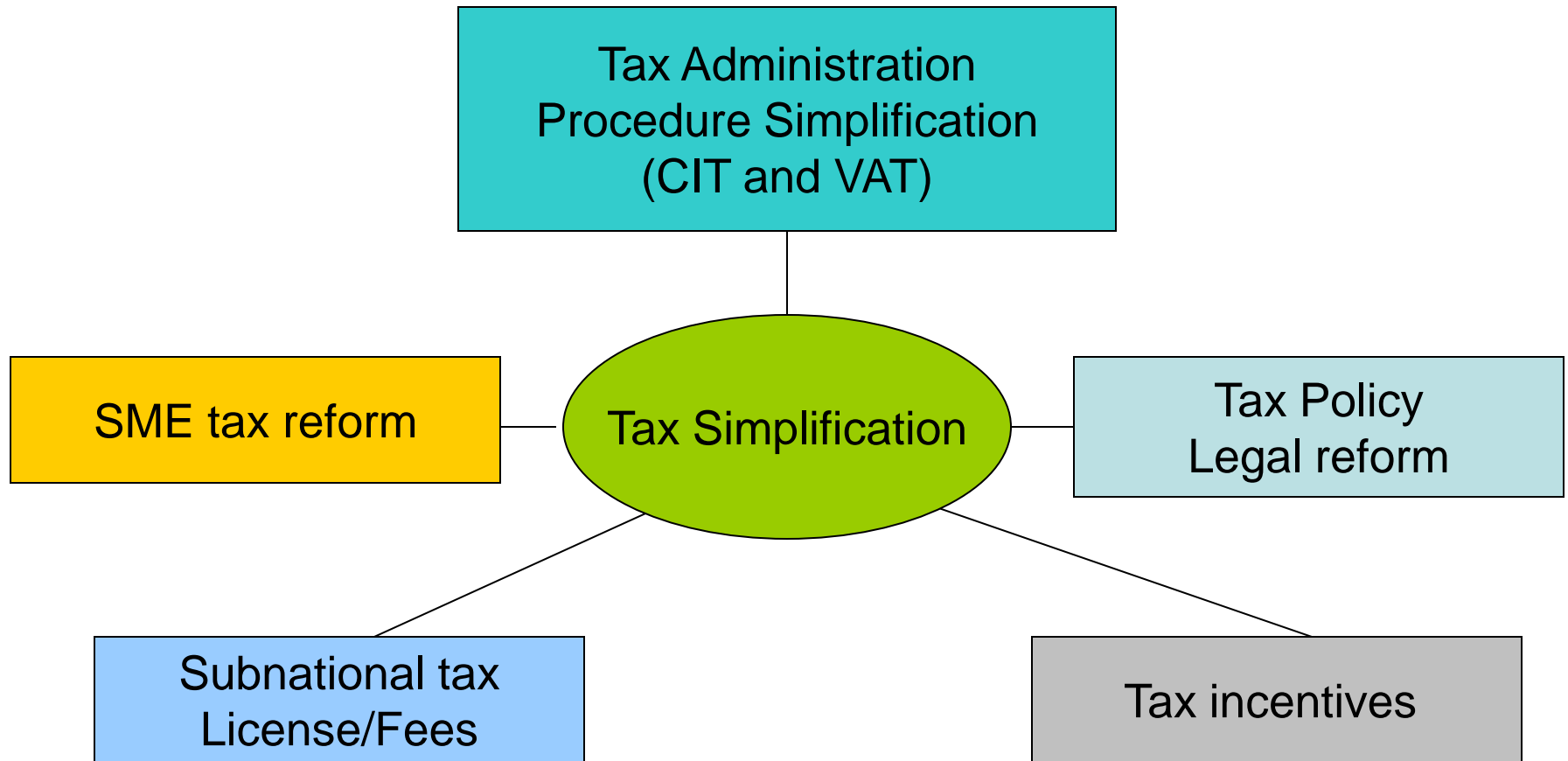
**FIAS Global Tax Simplification Program:
Reforming the tax System to lower the cost of
doing business**

**Richard Stern
OECD MENA Workshop
January 28, 2009
Paris**

What we do: Tax TA and the business climate

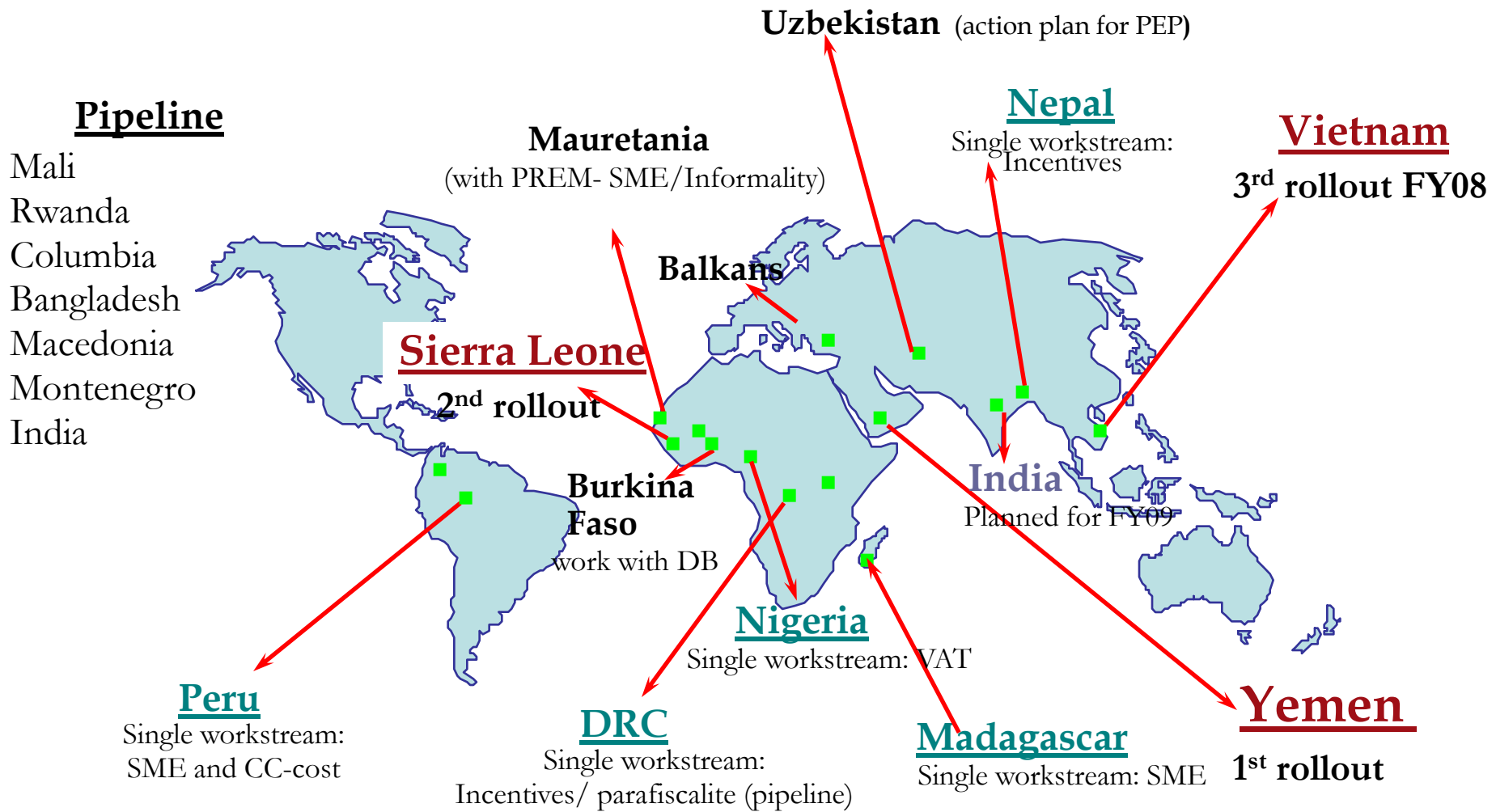
- **Tax policy simplification**, clarifying and simplifying laws, making laws more transparent and easier to comply
- **Tax process simplification**, lowering the cost of compliance, elimination of unnecessary steps, simplifying administration
- **Capacity building and training** to support reform: both on the tax administration and the taxpayer sides

Specific workstreams: A menu of options



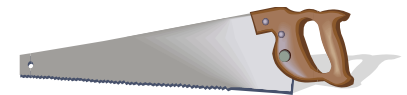
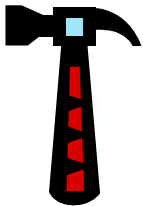
...you can choose a la carte or the whole menu!

Where we're doing Tax Simplification



Our standard set of diagnostic tools

Analysis of business tax regimes require a common analytical approach which could be comparable across countries



METR/AETR
Tax burden, Tax Policy
Incentives analysis

Compliance Cost Survey
Benchmarking
M and E

Administration
Process Mapping
Subnational inventory

Examples of METR

METRs across the Region

Country	METR for Manufacturers
Yemen	54%
Egypt	40%
Oman	38%
Bahrain	9%
Morocco	46%
UAE	29%

Example of a Process Map

Tax Simplification in Yemen

Process Map: Profit Tax - Issuing Taxpayer Identification Number

Process Code: 1.1.1.1.2a

Level of Detail: Detailed

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Status: As-Is

Last Updated: 11/05/2008

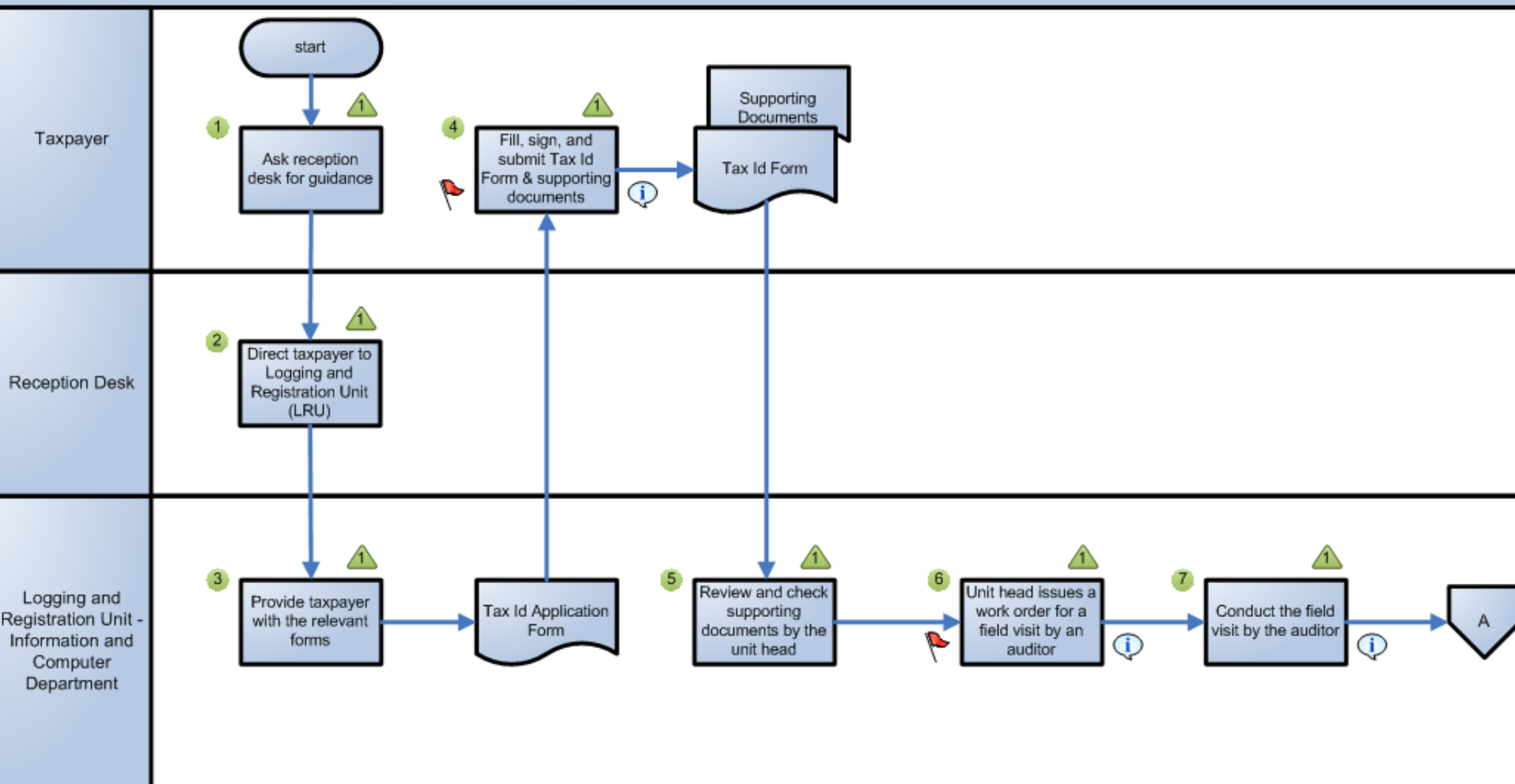
No. of Value Adding Activities (accumulative): 2

Elapsed Time (accumulative): 1 day(s)

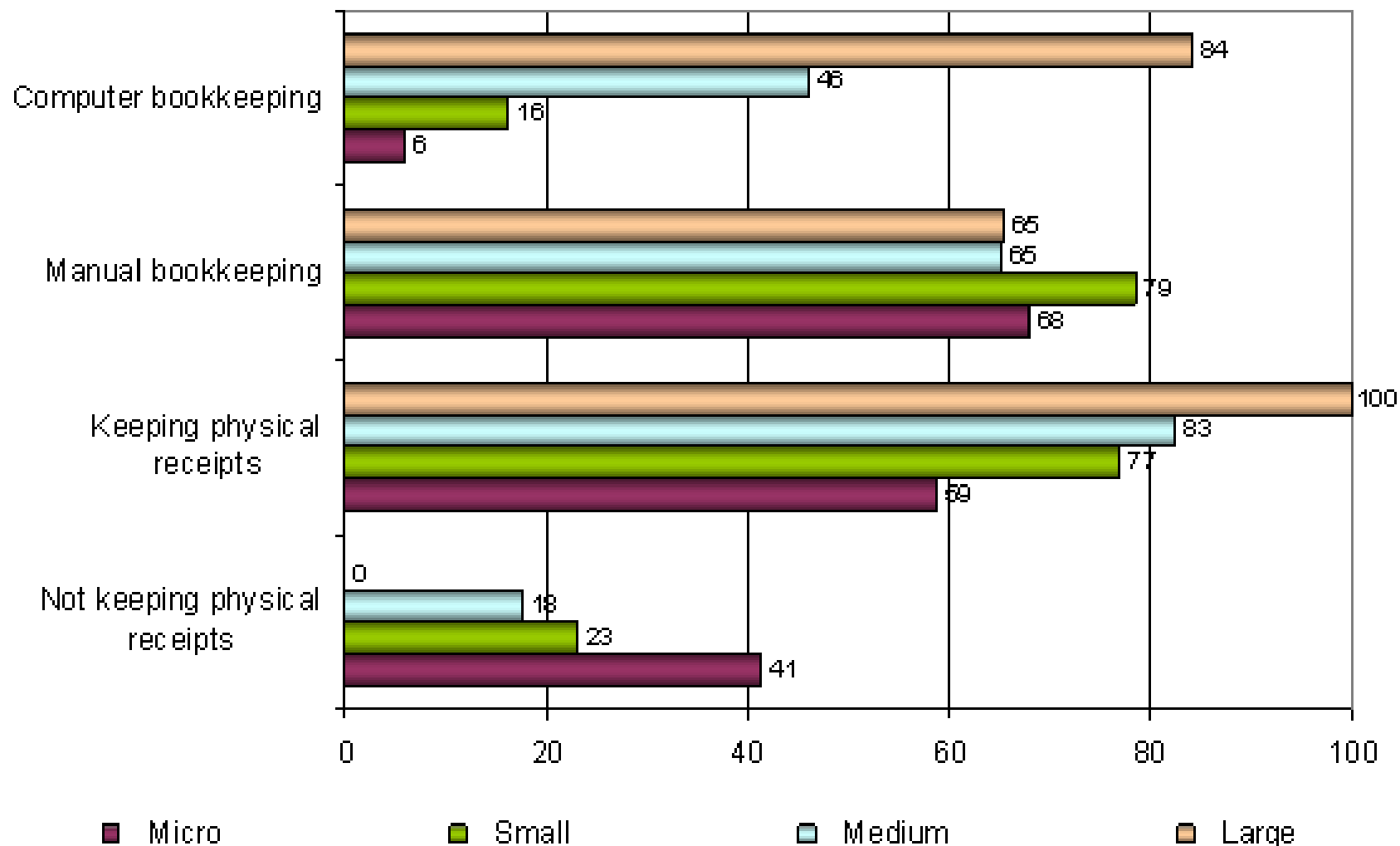
Accumulative Cost: YR 0.00

Sana'a – Large Taxpayer Unit

اسم الإجراء: ضريبة أرباح – اصدار الرقم الضريبي (صنعاء – كبار المكلفين)



Compliance cost survey--example



What the diagnostic tools should tell us

- **METR/AETR tells us the impact of the statutory tax burden on business** by sector (including SME), it allows us to measure the impact of tax incentives on business, and it allows us to simulate the effects of statutory changes on the tax burden.
- **Process mapping gives us statutory cost of administration,**
- **Compliance cost survey tells us the actual cost of complying with the law, the cost of not-complying** (informality), where the main costs are, and gives us a benchmark M &E framework
- **Subnational tax/license/fee inventory tells us if subnational instruments are a problem**

Doing Business Reports

- What it is...
 - Annual report on factual information
 - Based on studies of regulations, with inputs and verification by more than 3,500 experts
 - Ranking of the countries

- Four limitations to bear in mind
 - Data refers to business in most populous city
 - Focus on a specific business form
 - Measures of time involve judgment
 - Assumption of full information

Doing Business Paying taxes indicators

- All taxes paid in the second year of operation
- **Tax payments**: The number of times the company pays taxes in a year is the number of taxes multiplied by the frequency of payment for each tax.
- **Time**: Number of hours per year it takes to prepare, file and pay three major types of taxes:
 - Corporate income tax
 - VAT or sales tax
 - Labor taxes
- **Total tax payable**: Total amount of taxes payable by the business except for consumption taxes as percentage of commercial profits

DB and FIAS—How we use the indicators

- They are a “means” not an “end”
- They link tax with the investment climate
- They stimulate discussion—get the reform process going
- They should be used in combination with other indicators

Additionally:

- Our reform impacts the admin time cost indicator