

World Bank Ease of Doing Business Survey

Concept Note for Private Sector Respondents

Indicator: Paying Taxes

The World Bank survey: Paying Taxes

1. What role can tax professionals play?

South Africa's ranking is determined by data collected annually from local tax professionals through a World Bank administered survey. It is important that when responding to the questionnaire, paying taxes professionals be aware that the questions are based on a specific case study scenario. The case study assumptions are meant to ensure that the process of paying taxes is internationally comparable. As far as it may be possible, respondents are encouraged to look at cases they have dealt with that closely resemble the case study assumptions. Additionally, paying taxes professionals play an invaluable role in helping the government identify regulatory issues relating to paying taxes in South Africa.

2. What does it measure?

South Africa's *Paying Taxes* Doing Business score and ranking are determined by the data collected through a World Bank administered questionnaire. The questionnaire is administered to tax professionals, academics, and public officials. It measures all taxes and contributions that are government mandated and that apply to the standardized business and have an impact in its financial statements. In the case of South Africa, these are: corporate income tax, property tax, Occupational injuries insurance contribution, capital gains tax, Skills development levies, Unemployment insurance contributions, vehicle tax, Unemployment insurance fund- employee, value added tax, and fuel tax. Doing Business also measures the administrative burden of paying taxes and contributions and complying with post filing procedures. South Africa, currently ranks 54 out of 190 economies in this indicator.

2.1 Paying Taxes indicator set¹:

Tax payments for a manufacturing company in 2018 (number per year adjusted for electronic and joint filing and payment)
Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
Method and frequency of filing and payment
Time required to comply with three major taxes (hours per year)
Collecting information and computing the tax payable
Completing tax returns, filing with agencies
Preparing separate tax accounting books, if required
Arranging payment or withholding
Total tax and contribution rate (% of profit before all taxes)
Profit or corporate income tax
Social contributions and labour taxes paid by the employer
Property and property transfer taxes
Dividend, capital gains and financial transactions taxes
Waste collection, vehicle, road and other taxes
Post filing index
Compliance time of a VAT refund process (hours)
Time to receive a VAT refund (weeks)
Compliance time of correcting an error in the corporate income tax return including compliance with an audit process if applicable (hours)
Time to complete a corporate income tax correction (weeks)

Source: World Bank Group

¹ World Bank Group, Doing Business 2019-Data Notes, Available at:
<https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB19-Chapters/DB2019-Data-Notes.pdf>

3. Case Study Assumptions:

Assumptions about the business	Assumption about the taxes and contributions
<ul style="list-style-type: none"> • It is a Standardized limited liability taxable company • In its 2nd year of operation (January 1, 2017- December 31, 2017) • Operates in the country's largest business city (Johannesburg) • Is 100% domestically owned and has five owners, all of whom are natural persons • At the end of 2017, has a start-up capital of 102 times income per capita • Performs general industry or commercial activities • At the beginning of 2018, owns two plots of land, one building, machinery, office equipment, computers and one truck and leases one truck • Does not qualify for investment incentives or any benefits apart from those related to the age or size of the company • Has 60 employees- 4 managers, 8 assistants, and 48 workers • Has a turnover of 1,050 times income per capita • Does not participate in foreign trade 	<ul style="list-style-type: none"> • All the taxes and contributions recorded are those paid in the second year of operation (calendar year 2018). A tax or contribution is considered distinct if it has a different name or is collected by a different agency. Taxes and contributions with the same name and agency, but charged at different rates depending on the business, are counted as the same tax or contribution • The number of times the company pays taxes and contributions in a year is the number of different taxes or contributions multiplied by the frequency of payment (or withholding) for each tax. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding)