Press Release

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Governments should do more to unlock the potential of technology to facilitate tax compliance, says PwC and World Bank report

Beijing, 20th November - Tax authorities could do more to realise the full potential of new technology to reduce the tax compliance burdens on taxpayers, according to the 2019 edition of the annual *Paying Taxes* report, produced by PwC and The World Bank Group.

The report, released today in Beijing, has found that the global average results for the compliance burden for business taxation are almost unchanged across four key measures: time to comply (237 hours); number of payments (23.8); Total Tax and Contribution Rate, or TTCR (40.4%) and Post-Filing index (59.6 out of 100).

Paying Taxes 2019 draws upon a comparison of the taxation of business in 190 economies. The report models business taxation in each economy using a medium-sized domestic case study company.

Paying Taxes 2019 illustrates how developments in tax software, real time reporting systems and data analytics are transforming the capabilities of tax administration. Some advanced economies have continued to improve their systems to the benefit of both taxpayers and tax authorities, recording significant decreases in the time it takes to prepare, file and pay taxes and in the number of payments indicator.

Yet the report notes that the size of the gains in 2017 is relatively small in global terms. The fact that there has been little change to the global average, despite 113 economies introducing tax reforms over the same period, suggests reforms are limited in nature (the report does not include the US tax reforms introduced in 2018 due to data cut-off date for this edition of the *Paying Taxes* report). It also highlights that implementing new technologies for tax compliance can increase the administrative burden, at least in the short term, and that such implementation requires careful planning and consultation.

China, for example, has pursued a sustained series of reforms in recent years including better communication between tax authorities and taxpayers, new online systems for filing and paying taxes, improved training for tax authorities and taxpayers and integration of different tax systems.

While many economies have made considerable improvements in their tax systems in recent years, the findings also suggest that some economies are finding it difficult to implement online filing and payment due to the lack of IT infrastructure, cultural barriers and complex legislation.

Overall, the findings of *Paying Taxes 2019* support trends that have been present since the survey began in 2004:

- The average time to comply has fallen by 84 hours and the average number of payments by 10.3 since 2004 - both driven by technology
- In 2017, profit tax TTCR fell in 58 economies and increased in 37, conversely labour tax TTCR fell in 17 economies and increased in 39. This trend of more economies with reductions in the profit tax component of TTCRs and increases in the labour tax component of TTCRs has been seen every year since 2005
- On average, a VAT refund takes 19.2 weeks in high income economies but over twice as long in low income ones (44 weeks).

The report also explores the impact of differing levels of regulation and skills on the enforcement of tax through tax audits. Audits can vary hugely in their duration and complexity - taxpayers can spend up to 128 hours gathering information for an audit, though for many it takes only a few hours. Improving tax officers' skills is vital if a well-functioning tax system is to be sustained. 97% of economies offer training to tax officers, but, only 35% of economies provide regular training.

Paying Taxes also notes that governments will need to take account of how new technology affects the nature and patterns of employment and profit generation and the consequent impact on the income streams that are available to be taxed.

Rita Ramalho from the World Bank Group said:

"Technology is transforming the nature of jobs that are available and the skills needed to do them. This in turn is likely to require greater investment in human capital, especially in learning and development. It is therefore vital that governments are able to understand the challenges ahead and how they can build resilience for public finances in the long term. We hope that this report will be of value to all those interested in making tax systems more efficient, whether in government, business, academia or civil society."

Andrew Packman, leader for Tax Transparency and Total Tax Contribution at PwC said:

"This report highlights the extent to which, when implemented strategically, new technology can drive considerable efficiencies for tax authorities and businesses alike. Yet it is also important to remember that improvements to tax systems do not come from technology alone. Simple, coherent, well understood and properly administered tax systems can help to lower the barriers for businesses to move from the informal to the formal sector. This can broaden the tax base and raise revenue without requiring new taxes. To do so, tax professionals and policy-makers need to have access to the correct skills and insight, which technology gains can help to support."

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Notes to editors:

Find the full report: at pwc.com/payingtaxes

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