and witnesses during trial? (0-3)		
Can the plaintiff request categories of documents from the	NI -	0
defendant without identifying specific ones? (0-1)	No	0
Can the plaintiff directly question the defendant and	No	1
witnesses during trial? (0-2)	NO	1
Is the level of proof required for civil suits lower than that of	NI -	0
criminal cases? (0-1)	No	0
Can shareholder plaintiffs recover their legal expenses from		_
the company? (0-2)	Yes if successful	1
Strength of minority investor protection index (0-10)		4.6
Extent of conflict of interest regulation index (0-10)		4.7
Extent of shareholder rights index (0-10.5)		7.5
Can shareholders amend company bylaws or statutes with a		7.5
simple majority?	No	0
Can shareholders owning 10% of the company's share		
capital call for an extraordinary meeting of shareholders?	Yes	1.5
-		
Can shareholders remove members of the board of	Yes	1.5
directors before the end of their term.		
Must a company obtain its shareholders' approval every	Yes	1.5
time it issues new shares?		
Are shareholders automatically granted subscription rights	No	0
on new shares?		ű
Must shareholders approve the election and dismissal of the	Yes	1.5
external auditor?	163	1.5
Can shareholders freely trade shares prior to a major	Yes	1.5
corporate action or meeting of shareholders?	ies	1.3
Strength of governance structure index (0-10.5)		3.0
Is the CEO barred from also serving as chair of the board of		
as the CEO buried from also serving as chair of the board of	V	1 -
directors?	Yes	1.5
directors?		
_	Yes No	0
directors?  Must the board of directors include independent board members?		
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?	No	0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of	No No	0 0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected	No	0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?	No No Yes	0 0 1.5
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all	No No	0 0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?	No No Yes	0 0 1.5
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies	No No Yes	0 0 1.5
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?	No No Yes	0 0 1.5
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its	No No Yes	0 0 1.5
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directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)	No No Yes No Yes Yes	0 0 1.5 0 1.5 1.5 3.0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?	No No Yes No Yes	0 0 1.5 0 1.5 1.5
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?  Must information about board members' other directorships	No No Yes No Yes Yes No No	0 0 1.5 0 1.5 1.5 3.0 0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?  Must information about board members' other directorships as well as basic information on their primary employment	No No Yes No Yes Yes	0 0 1.5 0 1.5 1.5 3.0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?  Must information about board members' other directorships as well as basic information on their primary employment be disclosed?	No No Yes No Yes Yes No No	0 0 1.5 0 1.5 1.5 3.0 0
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directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?  Must information about board members' other directorships as well as basic information on their primary employment be disclosed?  Must the compensation of individual managers be disclosed?  Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties and other factors influencing the reporting?	No No Yes No Yes Yes No No No No No Yes	0 0 1.5 0 1.5 1.5 3.0 0
directors?  Must the board of directors include independent board members?  Must a company have a separate audit committee?  Must changes to the voting rights of a series or class of shares be approved only by the holders of the affected shares?  Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of a company?  Is cross-shareholding between 2 independent companies limited to 10% of outstanding shares?  Is a subsidiary barred from acquiring shares issued by its parent company?  Extent of corporate transparency index (0-9)  Must ownership stakes representing 10% be disclosed?  Must information about board members' other directorships as well as basic information on their primary employment be disclosed?  Must the compensation of individual managers be disclosed?  Must financial statements contain explanatory notes on significant accounting policies, trends, risks, uncertainties	No No Yes No Yes Yes No No No No	0 0 1.5 0 1.5 1.5 3.0 0

Extent of shareholder governance index (0-10)		4.5
Must audit reports be disclosed to the public?	No	0
auditor?		

Source: Doing Business database.

### **PAYING TAXES**

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

#### What do the indicators cover?

Using a case scenario, Doing Business measures the taxes and mandatory contributions that a mediumsize company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate<sup>5</sup>. The financial statement variables have been updated to be proportional to 2012 income per capita; previously they were proportional to 2005 income per capita. To make the data comparable across economies, several assumptions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2012.
- The business starts from the same financial

## WHAT THE PAYING TAXES INDICATORS MEASURE

# Tax payments for a manufacturing company in 2013 (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 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

### **Total tax rate (% of profit before all taxes)**

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

• Taxes and mandatory contributions include corporate income tax, turnover tax and all

The nonlinear distance to frontier for the total tax rate is equal to the distance that write a second substitution as paid by show the threshold is defined as the total tax rate is equal to the distance that write a second substitution as the total tax rate is equal to the distance that write a second substitution as the total tax rate is equal to the distance that write and substitution as the total tax rate is equal to the distance that write and substitution as the total tax rate is equal to the distance that write and substitution are distance on a yearly basis! The transfer of the total tax rate is equal to the distance that write is calculated and adjusted on a yearly basis! The transfer of the total tax rate is equal to the distance of the total tax rate is equal to the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the distance it that minimizes distortions or maximizes efficiency