



TMF
GROUP

Global reach
Local knowledge

THE FINANCIAL COMPLEXITY INDEX 2018



Meeting the global
challenge of local
accounting and
tax compliance

April 2018



About TMF Group

TMF Group helps its clients operate internationally and ‘belong’ wherever they are in the world. We do this by making sure they are properly set up to do business in any country and compliant with local and international regulations.

Our work includes helping companies of all sizes with business services such as HR and payroll, accounting and tax, corporate secretarial, global governance and administration services for structured finance, private equity and real estate investments.

In today’s environment, increasing business complexity means that a one size approach doesn’t fit all - and the penalties for getting it wrong are getting heavier. Operating in over 80 jurisdictions, we provide our 15,000

clients with on-the-ground compliance and administration services so they can venture further. We keep things running seamlessly, giving them the peace of mind to focus on the bigger picture.

Our people localise the global world to help businesses succeed, which in turn helps communities to prosper. We firmly believe that the only way to be truly ‘global’ is to put local first, which is what our team of 7,000 in-country experts do for businesses of all sizes, every day.

Get in touch to see what we can do for you.

tmf-group.com/enquiry

SECTION 1

Key Findings

5-7

SECTION 2

Global Rankings

8-9

SECTION 3

Focus on Asia Pacific

10-13

SECTION 4

Focus on the Americas

14-17

SECTION 5

Focus on Europe, the Middle East and Africa

18-23

SECTION 6

Movers and shakers

24-27

SECTION 7

Compliance trends

28-30

THE FINANCIAL COMPLEXITY INDEX 2018

CHINA

Most complex jurisdiction

THE CAYMAN ISLANDS

Least complex jurisdiction

LATIN AMERICA

Has five countries in the top 10 most complex globally

USA

Least complex globally for reporting

MOST COMPLEX JURISDICTIONS FOR:

COMPLIANCE



SOUTH AFRICA,
GERMANY

TAX



VENEZUELA

REPORTING



CHINA

BOOKKEEPING



MEXICO



INTRODUCTION

Meeting the global challenge of local accounting and tax compliance

A GLOBAL WORLD DOES NOT NECESSARILY MEAN A SIMPLER WORLD.

Thanks to improvements in technology and transport, companies are able to do business across the globe more easily than ever before. Yet, at an individual level, countries and their economies remain as unique as ever, meaning companies doing business internationally or looking to expand into new markets face a different set of challenges at every turn.

The TMF Group Financial Complexity Index looks at the world's nations by complexity of financial compliance, by which we mean the ease with which companies can deal with taxes, adhere to reporting requirements, maintain company accounts, and deal with cross-border transactions.

Financial complexity is crucial for company executives. While it will never be the sole factor determining what country they will invest in – some of the world's most popular nations for business are also very complex – it is an important variable to consider when making decisions. More complex nations require firms to spend more time, money and effort on compliance, and this can affect performance and profitability.

For companies who have already made the decision to invest in a certain country, financial complexity is an important factor they must manage – failure to do so can sometimes result in damaging penalties.

NEW TRENDS

Following 2017's inaugural outing, this second Index is dominated by the impact of the global move towards transparency and conformity. Many countries are working out their reaction to the OECD's Base Erosion and Profit Shifting (BEPS) project, meaning transparency in ultimate beneficial owners (UBOs) and transfer pricing are the subject of regulation impacting

on business operations. The Common Reporting Standard (CRS) – designed to allow automatic exchange of information between jurisdictions by financial institutions – has also begun to make an impact. We see many countries passing reforms to simplify their economies not only to attract investment, but to ensure the country ticks the compliance box for these global movements.

Given that countries are as unique as ever, each one is tackling these global issues in a different way, and we have seen movement at the top end of our Index. Turkey's moves to simplify its economy see it knocked from the top spot by China – a notoriously complex country, despite efforts to comply with global needs and open up to foreign investment. One of Europe's biggest economies, France, enters the top 10 this year – though with the new administration moving to simplify the country's complex tax and reporting system, it may be a mere guest appearance – while the UAE's introduction of value added tax (VAT) alters its tax-free haven status and adds a new layer of complexity for businesses.

One thing that never seems to change, though, is the complexity of Central and South America. As previously, Latin America makes up half of the top 10 most complex countries, with Brazil again ranked second. However, change is afoot; several Latin countries have begun to digitise their filing processes, causing a short-term complexity spike. If things go according to plan, though, the digital transformation should reduce complexity in the long term.

While this report deliberately avoids the political, we keep one eye on the impact of events such as US-first policies on complexity in traditionally mid-tier countries, and such as Brexit – the fallout from which will become clearer in the near future. What will the 2019 Index bring us? For now, read on for the reasons to do business – or seek support from local experts – when doing business in almost 100 countries around the world.

SECTION 1

KEY FINDINGS

When operating in a diverse global market, knowing and understanding the local requirements for financial compliance could make the difference between the success or failure of your cross-border activities and investments.

METHODOLOGY

TMF Group examined the varied complexities of financial accounting and tax compliance in 94 jurisdictions worldwide – Europe, the Middle East and Africa (50), the Americas (25) and Asia Pacific (19).

In a survey comprising 74 detailed questions, both objective and subjective, we asked our in-house accounting and tax experts to rank the complexity of their local jurisdiction according to four overarching parameters:



Further complexity parameters were then assigned to each of the main areas outlined above. Our objective questions aimed to ascertain the 'as-is' status of compliance in each jurisdiction, while our subjective questions required the professional judgment of our experts about risk related to non-compliance.

Frequent changes in law, numerous rules and exceptions, the need to submit various reports and various instructions to different authorities in a prescribed format increases overall complexity. Our considerations included:

- the accounting and tax rules and regulations in different jurisdictions eg. local GAAP (Generally Accepted Accounting Principles) requirements, local language requirements, the reporting period
- audit and financial reporting requirements
- VAT and corporate income tax (CIT) registrations, filing frequency and payment deadlines
- relevant regulatory requirements that need to be incorporated into your business (eg. legal representation requirements, storage requirements)
- the risks associated with non-compliance
- the impact of technology upon the accounting and tax compliance landscape.

It is interesting to see the impact of various complexity parameters on each of these services (see also table in section 2).

In certain instances throughout this document we have assigned countries, regions and complexity parameters a 'complexity rating'. It judges countries on a percentage scale ranging between minimum and maximum complexity, according to how the survey questions have been answered.

On average, compliance has a global complexity rating of 61% (2017: 60%), followed by reporting (57% 2017: 55%) and tax (49% 2017: 48%). Bookkeeping has a complexity rating of 46% (2017: 51%).

KEY FINDINGS

Based on the survey responses, the 94 jurisdictions were ranked in order of financial complexity: 1 being most complex, through to 94 the least complex.

TOP 10 MOST COMPLEX JURISDICTIONS FOR ACCOUNTING AND TAX COMPLIANCE

01 China
APAC

06 France
EMEA

02 Brazil
AMERICAS

07 Bolivia
AMERICAS

03 Turkey
EMEA

08 Colombia
AMERICAS

04 Italy
EMEA

09 Mexico
AMERICAS

05 Argentina
AMERICAS

10 Russia
EMEA

AT A GLANCE

ASIA PACIFIC

APAC's largest economy is now the world's most complex for accounting and tax. China takes over from Turkey at the top of our complexity index, largely driven by the continued embedding of the Golden Tax System, which aims to introduce stricter monitoring and enhanced data sorting and transparency. There are, however, efforts in place to further open the Chinese economy to foreign investors.

MIDDLE EAST

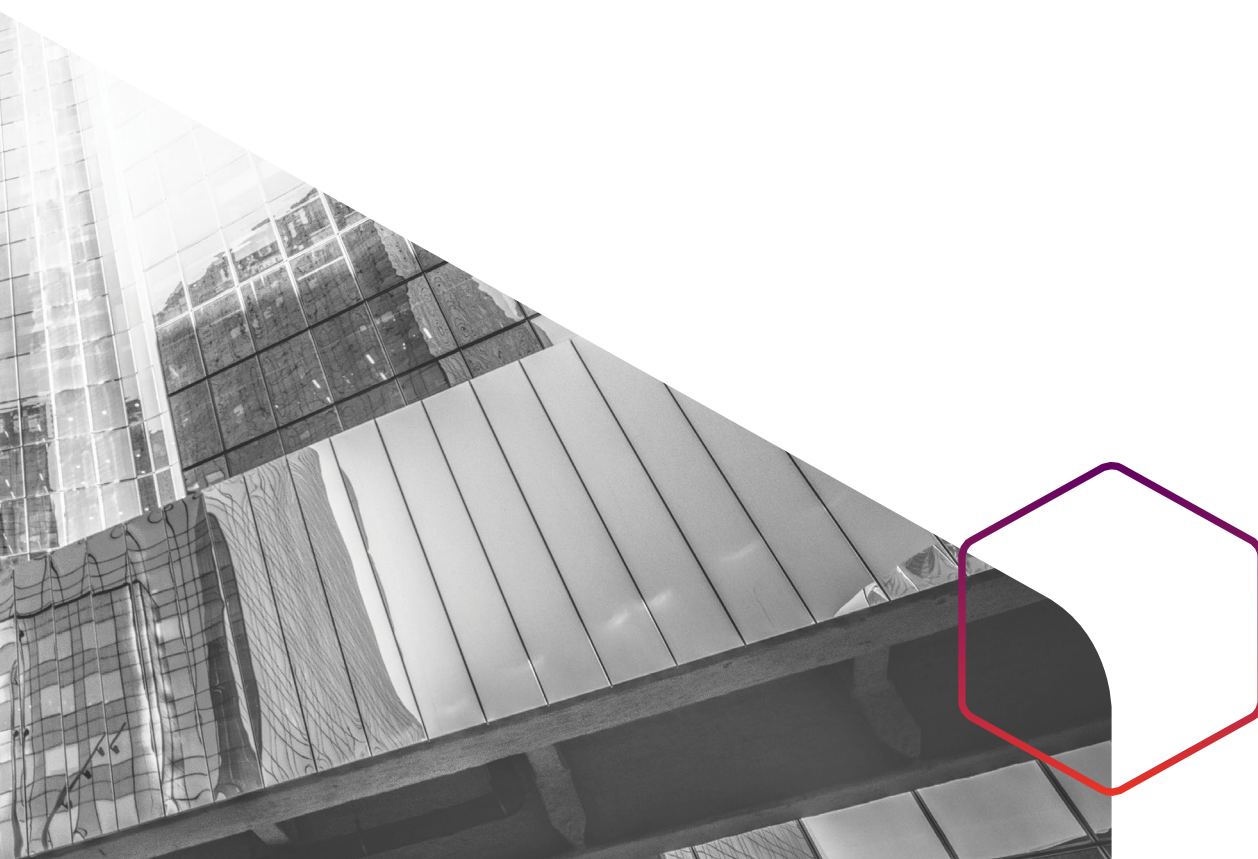
Turkey drops out of the top spot this year, as government efforts to simplify regulation begin to kick in. Meanwhile, the UAE's introduction of a VAT - in line with gulf-wide treaty obligations - sees this once-easy jurisdiction jump the rankings.

EUROPE

With France, Italy and Russia in the top 10 most complex, Europe is a less simple place to do business than some might imagine. France's increase in complexity comes just as a new government, led by Emmanuel Macron, begins a business-friendly simplification process. Meantime Germany ranks just outside the top 20, but alongside South Africa, is most complex globally for compliance.

SOUTH AND NORTH AMERICA

Just as in our 2017 index, South and North America together comprise half of the world's 10 most complex jurisdictions for accounting and tax compliance. While previously we pointed to the common practice of levying three layers of taxation - at federal, state and municipal levels - the reason for complexity has changed. The last 12 months have seen several countries beginning the process of introducing digitised filing for company accounts. That has created a short-term complexity spike - but, if roll-outs are successful, complexity should reduce in the long-term.



SECTION 2

GLOBAL RANKINGS

BASED ON OUR ANALYSIS OF ALL SERVICES AND COMPLEXITY CRITERIA:

➤ China ranked as most complex in the world for accounting and tax compliance.

➤ The Cayman Islands are the least complex.





JURISDICTION	REGION	GLOBAL RANKING
CHINA	APAC	1
BRAZIL	AMERICAS	2
TURKEY	EMEA	3
ITALY	EMEA	4
ARGENTINA	AMERICAS	5
FRANCE	EMEA	6
BOLIVIA	AMERICAS	7
COLOMBIA	AMERICAS	8
MEXICO	AMERICAS	9
RUSSIA	EMEA	10
VIETNAM	APAC	11
CROATIA	EMEA	12
INDIA	APAC	13
ALBANIA	EMEA	14
BELARUS	EMEA	15
PHILIPPINES	APAC	16
ROMANIA	EMEA	17
VENEZUELA	AMERICAS	18
UKRAINE	EMEA	19
BELGIUM	EMEA	20
GERMANY	EMEA	21
GREECE	EMEA	22
SLOVAKIA	EMEA	23
ISRAEL	EMEA	24
GUATEMALA	AMERICAS	25
KAZAKHSTAN	EMEA	26
LUXEMBOURG	EMEA	27
ECUADOR	AMERICAS	28
URUGUAY	AMERICAS	29
PORTUGAL	EMEA	30

JURISDICTION	REGION	GLOBAL RANKING
THAILAND	APAC	31
EL SALVADOR	AMERICAS	32
PARAGUAY	AMERICAS	33
SPAIN	EMEA	34
CHILE	AMERICAS	35
SOUTH AFRICA	EMEA	36
PANAMA	AMERICAS	37
PERU	AMERICAS	38
SLOVENIA	EMEA	39
BOSNIA	EMEA	40
DOMINICAN REPUBLIC	AMERICAS	41
EGYPT	EMEA	42
HONDURAS	AMERICAS	43
LITHUANIA	EMEA	44
MOLDOVA	EMEA	45
INDONESIA	APAC	46
SERBIA	EMEA	47
HUNGARY	EMEA	48
LATVIA	EMEA	49
NICARAGUA	AMERICAS	50
POLAND	EMEA	51
CYPRUS	EMEA	52
JAMAICA	AMERICAS	53
ALGERIA	EMEA	54
AUSTRALIA	APAC	55
CAMBODIA	APAC	56
LEBANON	APAC	57
ESTONIA	EMEA	58
AUSTRIA	EMEA	59
SWEDEN	EMEA	60

JURISDICTION	REGION	GLOBAL RANKING
CZECH REPUBLIC	EMEA	61
FINLAND	EMEA	62
GEORGIA	EMEA	63
SWITZERLAND	EMEA	64
BULGARIA	EMEA	65
MALAYSIA	APAC	66
TAIWAN	APAC	67
SOUTH KOREA	APAC	68
SRI LANKA	APAC	69
CANADA	AMERICAS	70
COSTA RICA	AMERICAS	71
UK	EMEA	72
MAURITIUS	EMEA	73
UNITED ARAB EMIRATES	EMEA	74
USA	AMERICAS	75
IRELAND	EMEA	76
THE NETHERLANDS	EMEA	77

JURISDICTION	REGION	GLOBAL RANKING
MALTA	EMEA	78
MYANMAR	APAC	79
DENMARK	EMEA	80
QATAR	EMEA	81
NEW ZEALAND	APAC	82
ICELAND	EMEA	83
JAPAN	APAC	84
SINGAPORE	APAC	85
BANGLADESH	APAC	86
NORWAY	EMEA	87
GUYANA	AMERICAS	88
AFGHANISTAN	APAC	89
CURAÇAO	AMERICAS	90
HONG KONG	APAC	91
JERSEY	EMEA	92
BVI	AMERICAS	93
CAYMAN ISLANDS	AMERICAS	94

MOST AND LEAST COMPLEX BY EACH COMPLEXITY PARAMETER

	MOST COMPLEX	COMPLEXITY RATING	GLOBAL AVERAGE	LEAST COMPLEX	COMPLEXITY RATING
 COMPLIANCE	SOUTH AFRICA, GERMANY	80%	61%	CAYMAN ISLANDS, AFGHANISTAN	22%
 TAX	VENEZUELA	71%	49%	CAYMAN ISLANDS	0%
 REPORTING	CHINA	89%	57%	USA	18%
 BOOKKEEPING	MEXICO	78%	46%	CAYMAN ISLANDS	16%

SECTION 3

FOCUS ON ASIA PACIFIC

MOST COMPLEX JURISDICTIONS IN APAC

REGIONAL
RANKING / 19

GLOBAL
RANKING / 94

01

01
China

02

11
Vietnam

03

13
India

04

16
Philippines

05

31
Thailand

CHINA: #1 – THE WORLD'S MOST COMPLEX JURISDICTION FOR FINANCIAL COMPLIANCE

China is a huge market with a strong economy but remains a difficult place to do business. It tops this year's TMF Group Financial Complexity Index both globally and across APAC, deposing Turkey globally and Vietnam locally.

China's 'Golden Tax System' – an integrated nationwide VAT monitoring system - has reached phase three, introducing stricter monitoring, and enhanced data sorting and transparency. Authorities now require 'real name authentication' of companies' tax, finance and legal representatives.

The Golden Tax System's continued roll-out implies that companies need to be more cautious and diligent in ensuring the accuracy and timeliness of tax data reporting and declaration. The system will continue to move along, too; further upgrades are expected in the coming year, with enhanced declaration data comparisons effective from 1 May 2018.

Despite China's complexity and ranking, there are examples of simplification in some areas. The country is moving towards compliance with the CRS and complying with global transparency rulings.

Keep an eye out for:

more clarity on the definition of 'Beneficial Owner' as a state administration announcement becomes effective 1 April 2018.

VIETNAM: #11 – NO LONGER MOST COMPLEX REGIONALLY

With a slight easing in its complexity, Vietnam moves out of the top 10 globally and is no longer the most complex in APAC.

New laws for small and medium-sized enterprises took effect in January providing benefits including a lower CIT rate, the option of a simpler accounting system and access to credit guarantees through the SME Development Fund and others.

That does not mean, however, that Vietnam is a less complex place to do business than it was in 2017.

In fact, there is more compliance burden on the taxpayer. Circular 41/2017/TT-BTC introduced processes for tax management of entities which have related party transactions, and means that the taxpayer needs to decide whether transfer pricing documentation is requested. If the taxpayer needs to prepare the documentation, both master file and a country-by-country (CbCR) report are required alongside the local file. Generally, this requires more input and effort from the ultimate parent and global subsidiaries.

Decree no. 41/2018/ND-CP issued in March 2018 specifies an administration penalty for certain accounting and auditing acts of non-compliance.

There's also the need to frequently update the HTKK system (tax declaration software) due to ever-changing tax legislation.

INDIA: #13 – IS THE GST MAKING THINGS LESS COMPLEX?

This year India leaves the global top 10, buoyed by the success of its Goods and Services Tax (GST) introduction in mid-2017, and the Insolvency and Bankruptcy code (IBC).

The GST implementation has had a far-reaching impact on almost all aspects of business operations in India. The GST is a value-added tax levied at all points in the supply chain and is applied to both goods and services in a comprehensive manner, with few exceptions. It replaces a complex ecosystem of local, regional and national taxes that often artificially inflated the cost of goods and services in India.

However, the GST hasn't removed all complexity in the country. It is levied concurrently by the central (CGST) and state (SGST) governments, while inter-state supplies attract an integrated GST, the aggregate of CGST and SGST.

The IBC provides an overarching framework to help companies either wind up or set themselves on course for revival, and investors to exit. It has also allowed for a simplified and much swifter process, as multiple acts and authorities are now consolidated; the previous 4-5 year timeframe for insolvency and recovery proceedings has been reduced to one year. Debt recovery rates and the Indian corporate bond markets are also set to improve under the IBC.

Additional transfer pricing documentation and CbCR rules in line with BEPS actions are now in place, and the process of starting a business is now faster thanks to the merging of applications for Permanent and Tax Account Numbers, and improving the online system.

Keep an eye out for:
e-introduction invoicing,
expected from 1 July 2018.

Keep an eye out for:
the further bedding-in of
the abovementioned
reforms and adjustments
to improve efficiency of
the new regulations.

LEAST COMPLEX JURISDICTIONS IN APAC



HONG KONG: #91 - STILL APAC'S EASIEST PLACE TO DO BUSINESS

Hong Kong retains its position as the easiest jurisdiction in APAC for financial compliance, and fourth-easiest globally.

A leader in business and banking, Hong Kong has long been a safe haven for businesses in Asia, seen as a familiar jumping-off point into further investment in the region. Hong Kong remains at the top end of the World Bank's doing business rankings – overall, as well as for starting a business, paying taxes, and infrastructure-related questions.

At the time of drafting this report, Hong Kong's lawmakers were discussing the key actions arising from the OECD's BEPS agenda. It's expected that a BEPS Bill

will be enacted into law by the end of 2018. The Bill includes significant changes to codify transfer pricing, introduces CbCR, Master File and Local File transfer pricing documentation, and expands the Advance Pricing Agreement (APA) regime. A stringent penalty regime will follow, with potential civil and criminal sanctions.

It's worth noting Hong Kong only commits to implementing the four minimum standards under BEPS.

SECTION 4

FOCUS ON THE AMERICAS

MOST COMPLEX JURISDICTIONS IN THE AMERICAS

REGIONAL
RANKING / 25

01

02

03

04

05

GLOBAL
RANKING / 94

02
Brazil

05
Argentina

07
Bolivia

08
Colombia

09
Mexico

As in 2017, South America has four jurisdictions in the top 10 most complex: Brazil (2), Bolivia (7), Colombia (8) and Argentina (5). Mexico (North America) has moved from the top 15 into the top 10 this year, at 9.

BRAZIL: #2 - DIGITAL DEVELOPMENTS CONTINUE TO ADD COMPLEXITY

For the second year in a row, Brazil is the most complex jurisdiction in the Americas and second-most complex in the world.

Brazil's move towards digitising its filing processes are causing headaches for companies because eSocial (bookkeeping, tax, social security and labour obligations tool) and REINF (complement to eSocial) require an increase in both the quality and quantity of data shared with the authorities. The relative newness of these requirements add complexity; reports must be filed monthly and annually, but certain requirements including templates remain to be defined.

eSocial itself has been a source of complexity for businesses in Brazil. Following an extension to the original implementation timeline, eSocial becomes mandatory for all companies from July 2018. While in theory eSocial does not place additional obligations on companies – it's merely a change in the way information is delivered – in practice it has proven difficult for some companies to get ready.

Elsewhere, Brazil has increased its Financial Transactions Tax on transfers from local to foreign bank accounts, and set out the selection criteria for differentiated and special taxpayer monitoring programs.

Keep an eye out for:

more changes as the government firms its intentions for digital filing.

ARGENTINA: #5 - TAX REFORM INCREASES ADMINISTRATIVE BURDEN

Argentina moves up four places to fifth most complex globally – despite reform underway in the country. The government wants to attract foreign investment that had previously been turned away by high taxes.

Enacted officially through publication in the Official Gazette on 29 December 2017, the law became effective just a few days later. It introduces amendments to corporate income tax, personal income tax, VAT, tax procedural law, social security contributions, excise tax and more.

Perhaps acknowledging the Argentine business environment was too complex, the reform decreases the 35% corporate income tax rate to 30% for fiscal years 2018 and 2019. It will drop to 25% from 1 January 2020 onwards. However profits distributions will be taxed at a rate of 7% for 2018 and 2019, and 13% in fiscal years 2020 onwards. The bill repealed the current equalisation tax for income accrued from 1 January 2018. Overall, the bill sought to reduce inefficient taxes that have dragged on growth in South America's second-largest economy for decades.

Also included in the reform, a definition for permanent establishment is now in force, following the definition agreed to in many of Argentina's tax treaties, and changes to the tax haven policy follows global movements towards transparency and the avoidance of double taxation. Lowering employer social security contributions and a new tax on investment income for individual investors and on corporate dividends will help to encourage re-investment in business growth.

Keep an eye out for:

labour reform and capital market reform, both expected in 2018.

COLOMBIA AND MEXICO: MIXED BAG

Mexico enters the top 10 for the first time, up six places from its 2017 placing. The most significant change for businesses was a tweak to how the country's systems handle electronic invoices. This created a host of new mandatory requirements, plus a new obligation to issue electronic documents for collection. In total this added up to such a complex undertaking for companies that an extension was granted by the authorities for process compliance.

Colombia has slightly decreased in complexity - it's still in the top 10, but down two places. That said, the constant regulatory changes and late presentation of regulatory decrees make it difficult for even the most flexible and adaptable businesses to keep up.



LEAST COMPLEX JURISDICTIONS IN THE AMERICAS

REGIONAL
RANKING / 25

24

GLOBAL
RANKING / 94

93

BVI

25

94

Cayman
Islands

ISLAND LIFE: CAYMAN ISLANDS AND BVI REMAIN THE WORLD'S LEAST COMPLEX

Between the OECD's push for transparency with the new BEPS actions, the introduction of the CRS and the ongoing requirements of the Foreign Account Tax Compliance Act (FATCA), there has been a lot of changes in financial regulation. It's interesting to discover, then, that two of the most well-known offshore jurisdictions remain among the least complex in the world in which to do business.

While there is an increase in reporting needed, our experts say that from an accounting and tax perspective, the overall increase in burden for companies is relatively small. However, directors and administrative providers will need additional access to relevant information to ensure proper and timely reporting.



SECTION 5

FOCUS ON EUROPE, THE MIDDLE EAST AND AFRICA (EMEA)

MOST COMPLEX JURISDICTIONS IN EMEA

REGIONAL
RANKING / 50

GLOBAL
RANKING / 94

01

03
Turkey

02

04
Italy

03

06
France

04

10
Russia

05

12
Croatia

TURKEY: #3 - NO LONGER THE WORLD'S MOST COMPLEX

Turkey drops in complexity to third in 2018 – driven by government moves towards simplification. There is now clearer guidance on the application of tax treaties, and electronic notification systems are being introduced to expedite submissions.

The e-invoice system for export transactions is speeding up the customs process by reducing the administrative burden on customs brokers and finance departments. Plus, the tax authority's e-notification system, introduced in 2016, seems to be surmounting its teething problems. The system increases the efficiency and quality of communication between companies and the tax authority, and that can only be a good thing.

Corporate tax rates have increased in Turkey from 20% to 22%, and VAT liability has been introduced for non-resident persons engaging in e-commerce activities. Despite this, there are more positive than negative signs for multinational businesses. For example, a merging of social security and withholding tax filings will reduce the administrative burden of managing processes with the two separate authorities, putting employee-related contributions into one filing.

Keep an eye out for:

VAT reform, expected to be discussed by the Turkish government this year.

ITALY: #4 - MAKING EFFORTS TOWARDS SIMPLIFICATION

Accounting and tax in Italy is becoming increasingly aligned with International Accounting Standards and international rules. The country has undergone significant changes in recent years; the level of taxation has decreased and Italy is catching up with the rest of the EU - introducing quarterly VAT returns in 2017 and reducing its corporate tax rate to 24%. However banks, parent companies of banking groups, individual asset management companies, financial intermediaries, electronic money institutions, payment institutions, and financial companies are subject to a 3.5% surtax, which keeps their rate effectively unchanged, at 27.5%.

Italy's corporate tax rate is expected to continue to fall, but there is something even bigger on the horizon to help reduce the complexity in-country: the introduction of an electronic invoicing system for all contributors (currently only applicable to companies that issue invoices to public authorities).

Mandatory for any B2B transactions, the new system will require taxpayers to upload accounts receivable invoices into a tax office portal, with paper invoices no longer permitted. While the change will mean less need to file frequently - for example, through more simplified VAT ledgers and Intrastat reporting, shorter VAT refund times and so on - we know from experience in other countries that businesses in Italy should expect an adjustment period. They may find the move to electronic invoicing more challenging in the short-term.

Keep an eye out for:
electronic invoicing,
expected in 2019.



FRANCE: #6 - WHAT WILL THE MACRON EFFECT DO FOR BUSINESS?

French administration and bureaucracy is notoriously complex. Accounts must be maintained in French GAAP, in Euros and the local language, and tax filings are a difficult undertaking without the help of local experts. There are frequent tax law updates and, for example, a new antifraud measure requires all retail activities to be using tills with an embedded software certified by the French Tax Office. Another law prescribes the acceptable process to store and keep copies of original paper invoices, which can be scanned for tax proof purposes under very strict conditions.

While France may have entered the global top 10 this year, reform is already underway under President Emmanuel Macron, which could reduce the nation's complexity ranking in the future. The wealth tax has been slashed and replaced by one which includes only real estate assets. A flat tax rate of 30% on capital gains has been introduced. The corporate income tax rate is now progressively decreasing from 33% to 28% depending on the size of companies, and it will be further reduced to reach a targeted corporate income tax rate of 25%.

Our experts say the abolition of the competitiveness and employment tax credit (CICE) in 2019 will be replaced by a reduction in employer contributions in the same timeframe. And from 1 January 2019, withholding - at source - the personal income tax of employees will come into play. This particular change will be a big bang for employees, employers and service providers alike, as until now employers have not been involved in the collection of personal income tax. As a transitional and mitigating solution, the biggest tax credit ever has been granted to French citizens to enable the move from a tax collected the following year on revenues from the prior year, to avoid double taxation in 2019. The French government is in the midst of a communication campaign and tests to ensure everyone is ready for the change.

It's changes to reporting and regulation such as these that could lessen the reputation of French financial complexity in years to come.

Keep an eye out for:

how companies adjust to withholding employee personal income tax from 2019, and more drops in the corporate tax rate between now and 2022.



RUSSIA: #10 – INCREASING REGULATIONS

Rather than being regulated by professional bodies, Russia's financial accounting standards (RAS) are determined and controlled by the state. The country's fiscal system is becoming more aligned with international approaches, however those operating in Russia are noticing increasing regulations. This is reflected in Russia's ranking in this year's Index.

An economic downturn, precipitated by the collapse in energy prices, has contributed to more conservative state policies at the expense of economic reforms. Those doing business in Russia face, among other measures, an increasing property tax burden and a higher VAT in some industries. The VAT system itself is complex, as is the process to refund overpaid taxes. Debt forgiveness by shareholders after 1 January 2018 is another process that has increased in complexity.

Keep an eye out for:

significant changes in tax regulation and control measures, including Federal Law 134-FZ - the tax secret regime. And information on company tax violations is due to be published to the Federal Tax Service's website for the first time on 1 June 2018.

CROATIA: #12 – MOVING TOWARDS A BETTER BUSINESS ENVIRONMENT

Croatia is still one of the most-taxed places in the European Union, even after reform. Notorious for a tax system in flux, Croatia's government hoped reforms would set the ground for an attractive investment environment. Several tax acts were reformed this year including the VAT act and Corporate Income Tax act. Previously one rate of 20% for all taxpayers, there's now a 12% CIT rate for revenue generated under HRK 3,000,000.00, and it's 18% if equal or higher than HRK 3,000,000.01.

Other acts reformed include the personal income tax act, the law on minimum wage, local taxes and anti-money laundering acts. With all of these reforms, the government is trying to incentivise investments and enhance the business climate to help boost the economy.

Much of the reform - and the moves towards a better business environment, particularly for start-ups and small businesses – is still bedding-in, so keep an eye on Croatia's position in next year's index.

LEAST COMPLEX JURISDICTIONS IN EMEA



JERSEY: #92 - EMEA'S EASIEST JURISDICTION FOR FINANCIAL COMPLEXITY

Jersey has a long-standing reputation as an easy place to do business. Local laws require that accounting records are maintained and annual accounts prepared and approved by the directors/shareholders or Trustees. However, the laws are relatively relaxed regarding the format and content of the accounts themselves - the main instruction given is that relevant accounting standards are selected and applied consistently.

Likewise, there is generally no audit requirement under local law for private companies and trusts - only public companies require an audit. What's more, there are no expected changes to the relevant parts of Jersey Company and Trust law impacting accounting requirements and complexity.

NORWAY: #87 - STRONG AND STEADY LEADS THE RACE

Norway's regulatory environment is generally transparent with relatively low reporting requirements and little bureaucracy. Most business filings for accounting and tax can be done electronically, while processes and structure of relevant bodies are streamlined. Plus, the country's tax framework is stable – historically there have been few large or sudden amendments in rates or legislation. All of this combines to make Norway a reliable, dependable and predictable market.

One exception to this simplicity is the country's unique relationship with the European Union. While Norway is not a member of the EU, the treaty of the European Economic Area means the country is obliged to implement all EU regulation for the financial sector and have its regulation in compliance with EU standards. This adds a layer of complexity that can be hard to predict and needs expertise to manoeuvre.

SECTION 6

MOVERS & SHAKERS

**SPOTLIGHT
ON: USA**

**GLOBAL
#75**

**REGIONAL
#21**

**LEAST
COMPLEX
GLOBALLY FOR
REPORTING**

This year saw the signing of one of the largest tax reforms in US history, with the legislation including a reduced corporate tax rate offset by the repeal of numerous tax credits. Net operating loss and interest expense deductions have been limited, and this will change the way firms structure themselves to recognise revenue, undergo finance expansion and mergers and acquisition (M&A) activity. Additionally, there is a move to a 'territorial system' of taxation, designed to encourage firms to bring back foreign-held earnings – and this which will impact the way companies recognise revenue and repatriate money to the USA.

The changes in legislation were in a large part designed to stimulate the local economy and encourage the repatriation of earnings which had been held offshore. But what does it all mean for financial complexity in the US? The big change is that companies operating in the US – whether as HQ or local office – will need to take a look at their structuring. Tax and reporting requirements will change, and the historic system of higher corporate tax but a slew of tax credits will be a thing of the past. In theory, the US business environment just got a lot easier to operate in – but it's still too early to fully understand the impact this reform will have on business.

UNITED ARAB EMIRATES

The UAE has risen in complexity from 92 to 74 this year, largely driven by the introduction of the emirates' first VAT in January 2018. Implemented at the same time as its neighbour – the Kingdom of Saudi Arabia (KSA) – at a standard rate of 5% and imposed on goods and services that are not otherwise zero-rated or exempt, the VAT is a big step away from the UAE's reputation as a tax-free paradise. It's joined by an excise tax, implemented on 1 October 2017, levied on carbonated drinks (50%), energy drinks (100%) and tobacco (100%).

The VAT was driven by the Gulf Cooperation Council (GCC) VAT Treaty. Similar to the EU VAT Directive, once the remaining four GCC countries (Kuwait, Qatar, Bahrain, Oman) introduce their VAT, the treaty will apply in full. It involves various special rules for inter-GCC transactions, adding huge amounts of complexity to the way businesses operate in the region. Our experts believe that, after the remaining four GCC countries have implemented VAT, we will see an increase in the VAT rate as the next step.

GERMANY

Ranked 21 globally, Germany is also ranked alongside South Africa as most complex for compliance - but that could be set to change, with 2018 plans including simplifying tax legislation, extending various reporting and filing deadlines.

One of the world's largest economies and responsible for one-fifth of EU GDP, Germany's market is in principle free, but there is a lot of government regulation and wide-ranging social welfare programmes. Add to that the growing number of EU regulations, and to those outside the bloc Germany would seem incredibly complex.

Since the beginning of 2018, any acquisition of more than 10% of a foreign company must be reported to the authorities.

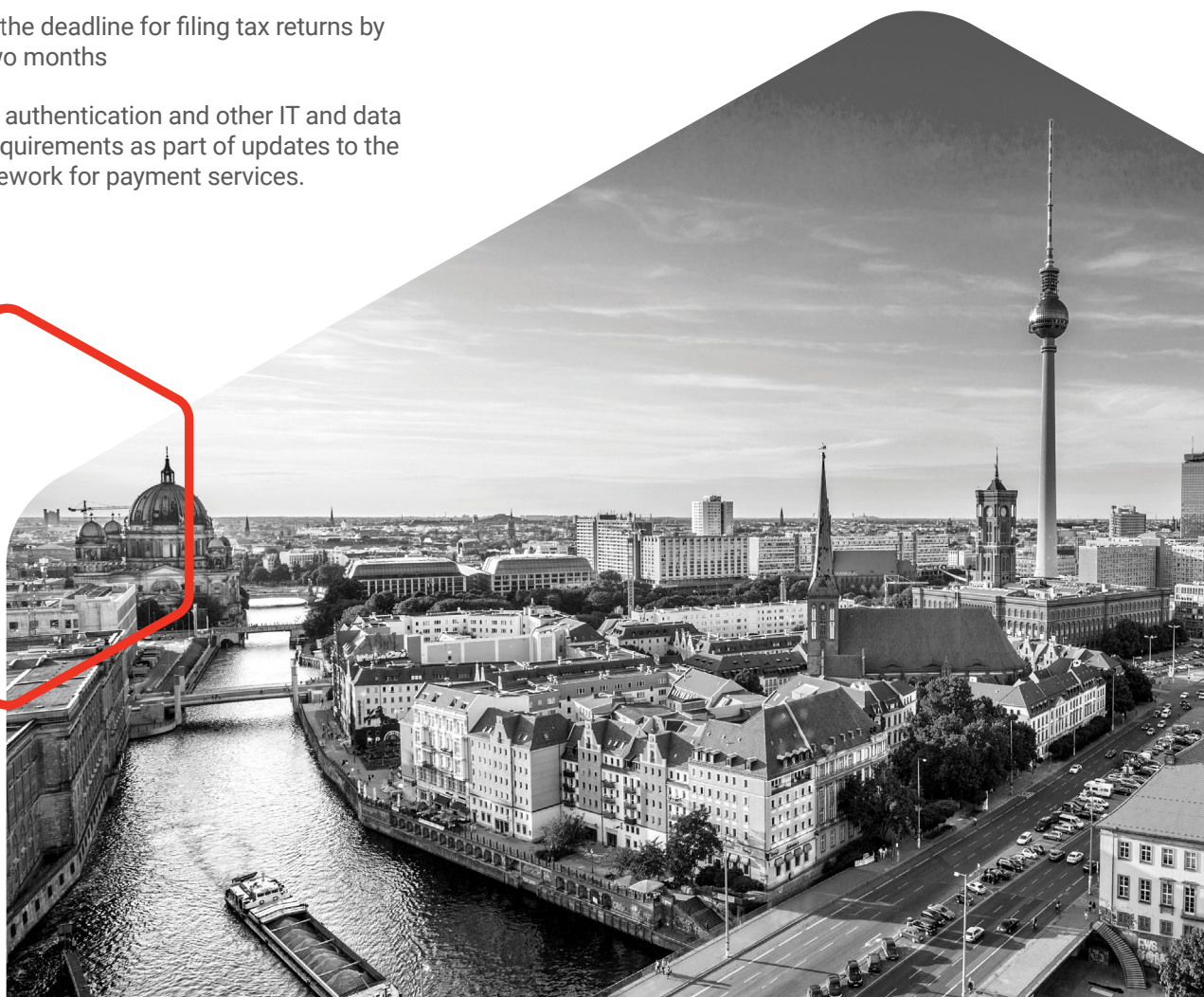
Other changes taking place this year include:

- measures to combat the use of preferential tax regimes by international corporations in line with the BEPS project
- giving tax officials the power to carry out unannounced inspections and field audits to address tax fraud at checkouts
- extending the deadline for filing tax returns by another two months
- two-factor authentication and other IT and data security requirements as part of updates to the legal framework for payment services.

SOUTH AFRICA

One of Africa's largest economies ranks alongside Germany as most complex globally for compliance, yet it's also the least complex in EMEA, alongside Qatar and Jersey, for bookkeeping.

The last 12 months have brought about changes to South Africa's complicated tax system with regard to rates, rebates and VAT, an increase in the official rate of interest, a new Income Tax Act, and a VAT Act that included cryptocurrency transactions and a national housing plan. And 2018 may see some efforts to increase tax payable by companies through targeting a number of perceived tax avoidance strategies in draft legislation, while reporting requirements have been tinkered with through IFRS 15 and 16, plus IFRS 9 vs IAS 39.



SINGAPORE

Singapore remains among the easier jurisdictions in the world for financial compliance, moving from 83 to 85 this year. The country is known for its favourable tax system and ideal international business environment, and that hasn't changed over the last 12 months.

However, announcements in the 2018 budget indicate there are changes afoot which may have a financial impact on businesses in Singapore. The CIT rebate doubles from 20% to 40% of tax payable, capped at S\$15,000, with the rebate extended to YA2019 (20%, capped at S\$10,000). Meanwhile, with effect from YA2020, there will be changes to the partial tax exemption and start-up tax exemption schemes, lowering the rates and levels of exemption. Imported services will be subject to GST on or after 1 January 2020, with business to business imported services taxed via a reverse charge mechanism.

The CIT rebate reduces from 50% of tax payable capped at S\$25,000, to 40% of tax payable, capped at S\$15,000 (for assessment year 2018). The 40% rebate is however an increase from the 20% that was announced earlier. This rebate will be extended to assessment year 2019 at 20% tax payable, capped at S\$10,000.

Meanwhile, from 2020 there will be changes to the partial tax exemption and start-up tax exemption schemes, lowering the rates and levels of exemption. Imported services will be subject to GST on or after 1 January 2020, with business-to-business imported services taxed via a reverse charge mechanism.

THAILAND

Thailand makes its first appearance in the regional top 5 most complex thanks more to other nations becoming less complex than to changes within the country. Globally Thailand eases in complexity perception, dropping four places from 27 to 31. The government seems focussed on encouraging foreign businesses to the country; it has loosened some restrictions for foreigners wishing to conduct business in certain sectors, while a draft new law allows companies to adopt foreign currency when computing Thai income tax. Potentially coming this year are proposed tax legislative amendments that will impact foreign e-commerce operators available to the Thai market, and further work to how Thailand handles transfer pricing.

The changes are all part of the 'Thailand 4.0' economic model which aims to improve the country's competitiveness. Included in this transformation is a move to digitising compliance; the National e-Payment Master Plan includes the development and implementation of an electronic tax system which hopes to facilitate commercial transactions and reduce storage and paper costs. As we've seen in other countries, this digitising could add some short-term complexity to business operations.

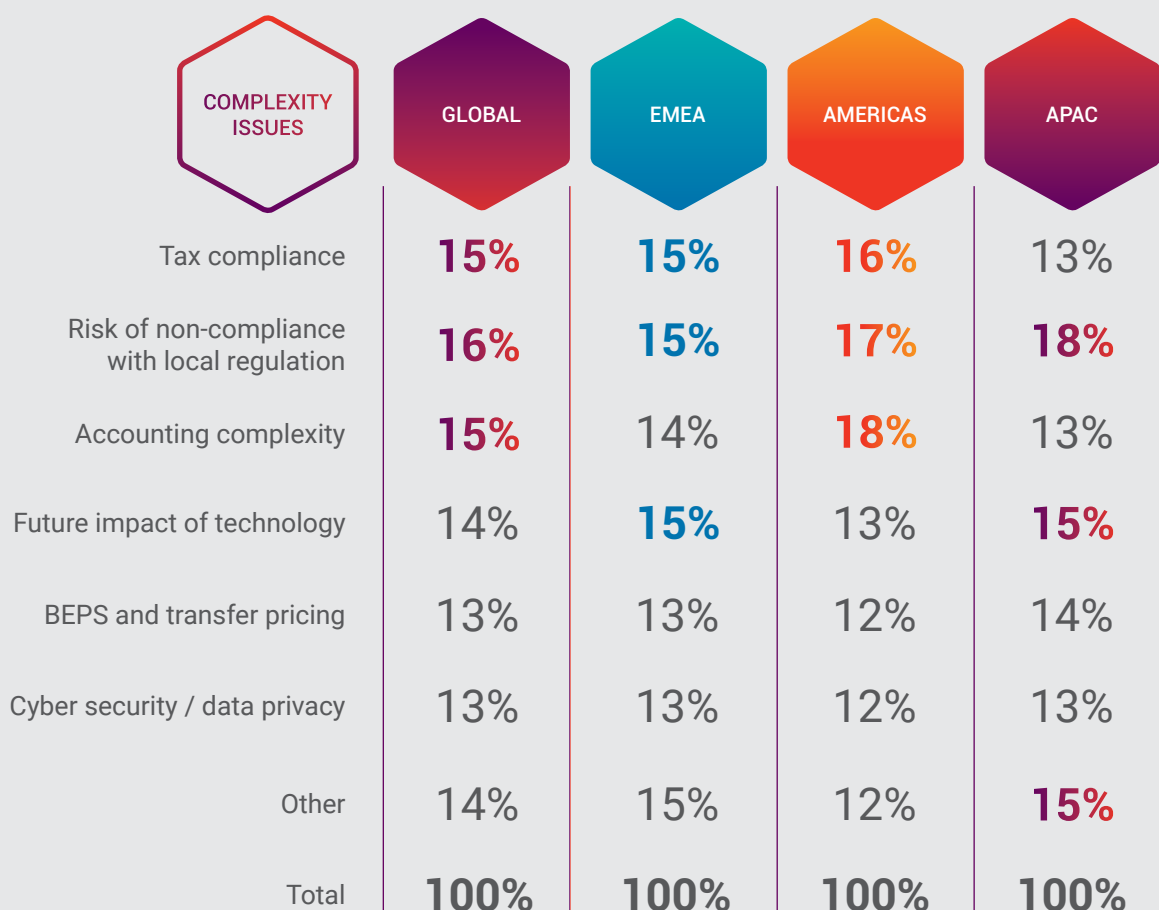


SECTION 7

COMPLIANCE TRENDS

As with last year, TMF Group's experts were asked to rank, in order of importance, the following complexity issues facing an international company when setting up in their local market.

In 2017 regulation, compliance and technology topped the list of complexity issues according to our experts. Here are this year's results.



EMEA

BEPS and transfer pricing are no longer the biggest worries for business. This is perhaps a sign that Europe as a whole is getting a handle on transparency in tax and profits.

AMERICAS

Experts in the Americas name the risk of non-compliance with local regulations, alongside accounting complexity, as the region's biggest compliance worries. Half of the 2018 top 10 most complex jurisdictions are in the Americas, and local compliance is clearly a big risk factor for businesses.

APAC

The biggest worries in APAC are the need for transforming regulation to compete on an even footing with the rest of the world.

TECH VS SECURITY, AND THE IMPACT OF GDPR

Curiously, while one of the top trends in compliance remains the future impact of technology on compliance - you need look no further than the impact digitising filing has had on multiple countries around the world to see tech has a big impact - fewer jurisdictions are worried about cybersecurity and data privacy.

With the introduction of Global Data Protection Regulation (GDPR) in Europe in May 2018, this may well change in next year's index.

Data protection is a burning topic in the EU, and it doesn't just apply to businesses operating in the bloc - any business that collects and stores data on a single EU citizen, whether that business is based in the EU or elsewhere, must comply with GDPR rules. As we get closer to the date of enforcement, more and more businesses are waking up to the need to pay attention, especially as fines can be up to 4% of global turnover.

ACCOUNTING AND TAX WITH TMF GROUP

We understand that no two clients are the same. We help clients throughout their corporate lifecycle from rapidly entering new markets to redefining how their internal finance function operates. Our goal is to keep you locally compliant with your tax and accounting obligations. So whether you need help with local statutory bookkeeping, full consolidated account preparation or international management reporting, we can manage your accounting processes across all or any jurisdictions without a conflict of interest.

TRANSACTIONAL ACCOUNTING

Maintaining your books and records in accordance with applicable accounting standards.

STATUTORY & REGULATORY COMPLIANCE REPORTING

Preparing full set of financial statements in accordance with local rules and reporting to statistical authorities, central banks or any other local regulatory authorities.

CORPORATE COMPLIANCE REPORTING

Tailored to your individual requirements, in multi-currency format and meeting the relevant accounting policies that you use for management reports (including IFRS/IAS, US GAAP, UK GAAP, and any other GAAP).

TAX COMPLIANCE

TMF Group's worldwide experts offer direct and indirect tax compliance support and liaise with the relevant tax authorities in regard to registration, returns, compliance, calculations and recovery. Our offering also includes: FATCA, BEPS, CRS compliance.

IPT SERVICES

Our industry leading experts assist insurers, underwriters, brokers and captives across the world. In addition, IPT Quote, our online insurance tax database and calculator, provides a complete service for all your insurance tax calculation needs.

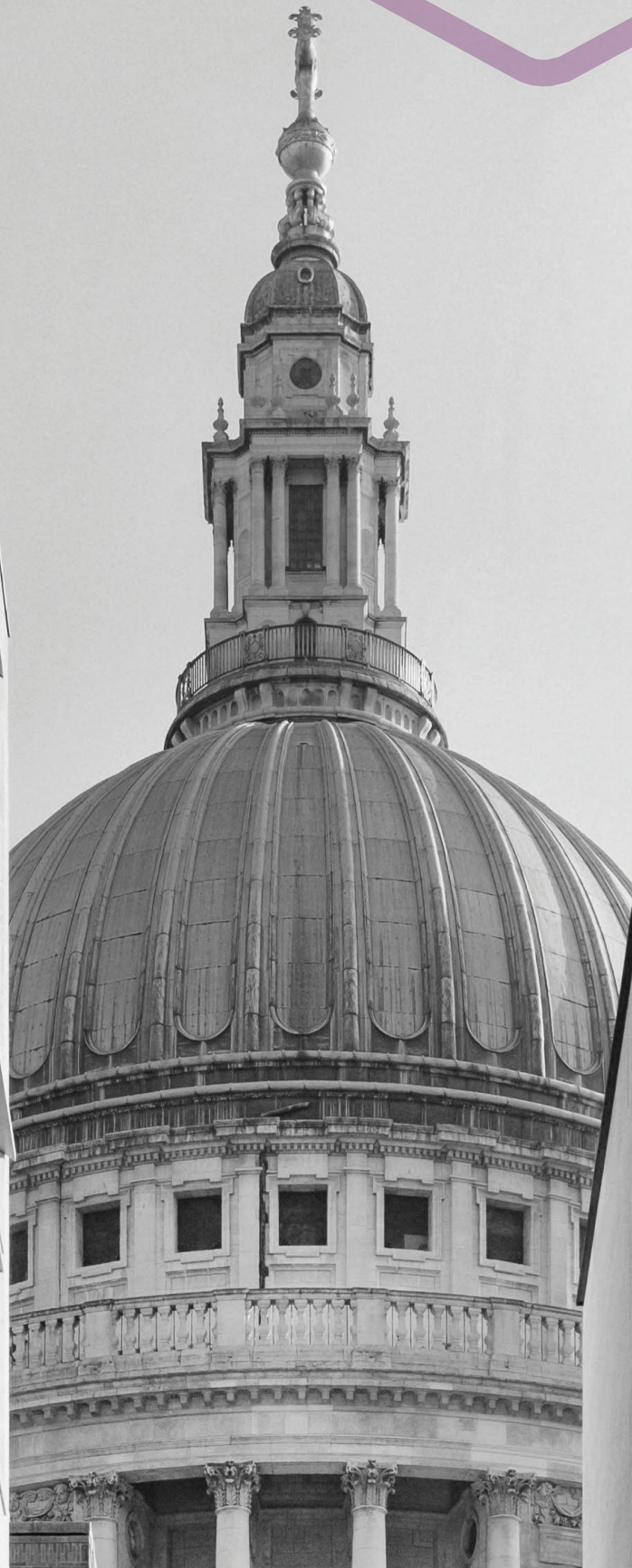
CONSULTING PROJECTS

Reorganising accounting systems, bank payment administration, expense reports processing, accounts receivable management, assisting with the implementation of accounting software packages, and establishing accounting control procedures.





We can take care of the
details so you can focus
on what's really important:
growing your business.



Find out more about TMF Group:

contact@tmf-group.com

tmf-group.com/FCI2018

Whilst we have taken reasonable steps to provide accurate and up to date information in this publication, we do not give any warranties or representations, whether express or implied, in this respect. The information is subject to change without notice. The information contained in this publication is subject to changes in (tax) laws in different jurisdictions worldwide.

None of the information contained in this publication constitutes an offer or solicitation for business, a recommendation with respect to our services, a recommendation to engage in any transaction or to engage us as a legal, tax, financial, investment or accounting advisor. No action should be taken on the basis of this information without first seeking independent professional advice. We shall not be liable for any loss or damage whatsoever arising as a result of your use of or reliance on the information contained herein.

This is a publication of TMF Group B.V., P.O. Box 23393, 1100 DW Amsterdam, the Netherlands (contact@tmf-group.com). TMF Group B.V. is part of TMF Group, consisting of a number of companies worldwide. Any group company is not a registered agent of another group company. A full list of the names, addresses and details of the regulatory status of the companies are available on our website: www.tmf-group.com