

GLOBAL BUSINESS COMPLEXITY INDEX 2022

Paths to growth: navigating
the complexities of doing
business across borders

ESG

ACCOUNTING AND TAX

COVID-19

SIMPLIFICATION

COVID-19

SIMPLIFICATION

ESG

GLOBAL ENTITY MANAGEMENT

ACCOUNTING AND TAX

PAYROLL AND HUMAN RESOURCES

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FOREWORD

We at TMF Group are delighted to be able to bring you our 2022 Global Business Complexity Index, looking at differences in the rules and requirements for doing business in 77 jurisdictions around the world. Those jurisdictions cover just 32% of the total country count, but capture the world's largest economies and investment hubs, representing 71% of world population, 92% of world GDP and 95% of net FDI inflow. We look at nearly 300 factors in each country, making this a significant team effort within TMF Group for which my colleagues have my deep appreciation.

At the time of writing, the world is in an unsettled state. Covid-19 remains a critical feature, in particular in China where strict lockdowns are in force and depressing local and global growth. To that we now add conflict with the war in Ukraine, the sanctions and energy price impact again adding to a negative economic outlook for much of the world economy, with the prospect of a return to the 'stagflation' of the 1970s.

Against that backdrop, we need to do all we can to simplify the path to investing and operating around the world. Low friction trade and investment stimulate

economic growth. We hope that the report will help investors pick and manage their destinations with greater confidence. Our message isn't to avoid investing in complex jurisdictions, as these are often among the most attractive for talent and customer opportunities. Rather, it is to invest with eyes open and be ready to manage the rules that might otherwise put your licence to trade at risk.

Similarly, we hope the work will encourage governments to reform, to attract greater investment and local capital formation. As in previous years, a number of the least complex places to operate are small, offshore economies. All are regulated and their simpler processes are more a result of the competition between them to attract investors, driving process efficiency, rather than any cutting of corners.

In addition to individual jurisdiction complexity, many of our clients have to cope with managing long tails of locations around the world, often at low scale and in complex places to do business. This year we are investing to make our source data available to them in digital format, to give them the means to stay on top of their portfolio.

Mark Weil
TMF Group CEO

INTRODUCTION

The Global Business Complexity Index 2022 (GBCI) provides an authoritative overview of the complexity of establishing and operating businesses around the world. It explores factors driving the success or failure of international business, with a focus on operating in foreign markets, and outlines key themes emerging globally as well as local intricacies across 77 jurisdictions.

The GBCI 2022 is based on 292 different indicators relating to business complexity, and provides in-depth analysis of the global and local challenges that impact on the ease of doing business around the world. These data points are used to compile a global ranking of the 77 jurisdictions, based on the complexity of their business environments and covering legislation, compliance, accounting procedures, tax regimes, human resources (HR) rules and payroll processes.

3 GLOBAL THEMES

1

Emerging from Covid-19

We explore whether Covid-19 accelerated existing trends and ask: are changes to legislation and practices that resulted from the pandemic here to stay?

2

Simplification: drivers and barriers

By comparing different jurisdictions we identify what's driving simplification for global business, and any barriers that are making things more complex.

3

The rise of ESG

We examine the impact of Environmental, Social and Governance (ESG) criteria on corporate behaviour and in government legislation and guidance.



SIMPLIFICATION

COVID-19

ESG

GLOBAL
THEME

#1

EMERGING FROM COVID-19



TAX EXEMPTIONS

TEMPORARY REGULATIONS

FLEXIBLE WORKING

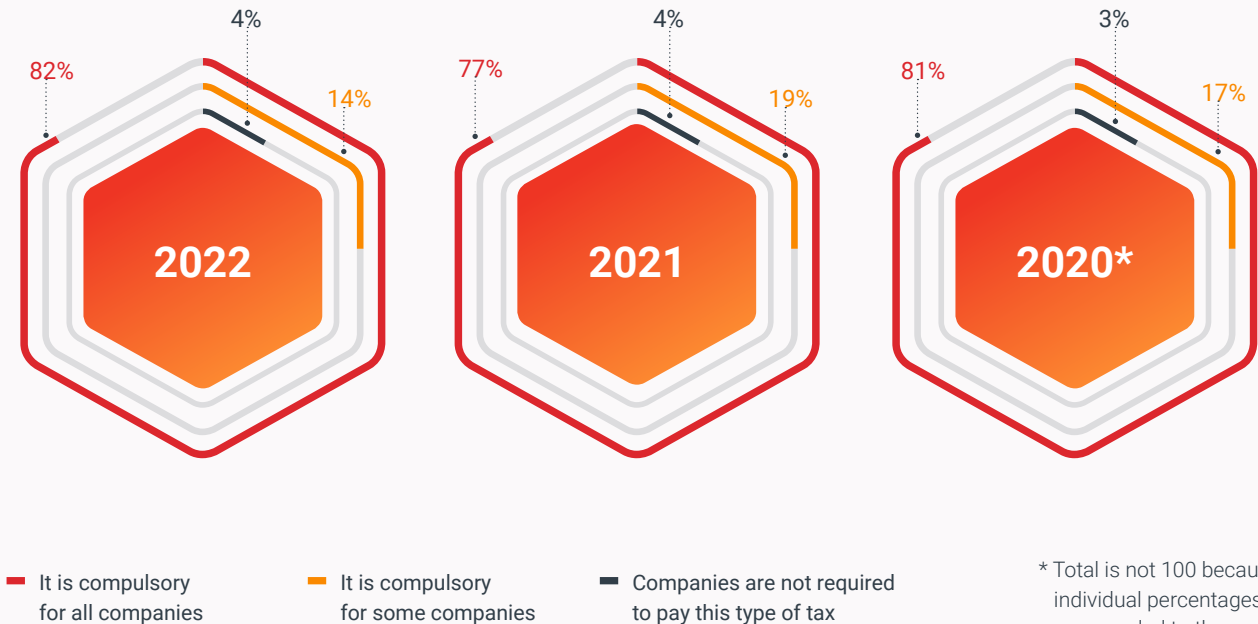
EMPLOYEE PROTECTION

DIGITALISATION





Requirement to pay corporation/income tax



* Total is not 100 because individual percentages are rounded to the nearest whole number.

We saw in last year's GBCI report that many governments had introduced measures to alleviate pressure on businesses during the pandemic. These included tax exemptions, increasing employee rights and the acceleration of digital reporting. The changes were introduced to lessen financial or administrative stresses but often led to higher complexity for businesses.

As the world emerges from the pandemic we have found that some of these changes are here to stay but many were short-term, adaptive measures which have been, or are in the process of being, reversed. This has once again introduced short-term complexity for businesses. For example, in Brazil, which ranked top in the 2021 and 2022 GBCI rankings, complexity has been at an all-time high over the last two years due to the introduction and subsequent reversal of pandemic-related regulations.

Pandemic tax exemptions reversed

Last year we saw a reduction in the number of jurisdictions where all companies were required to pay corporation/income tax. GBCI 2022 shows that this was a short-term measure, with the proportion of jurisdictions where it is compulsory back up to 2020 levels.

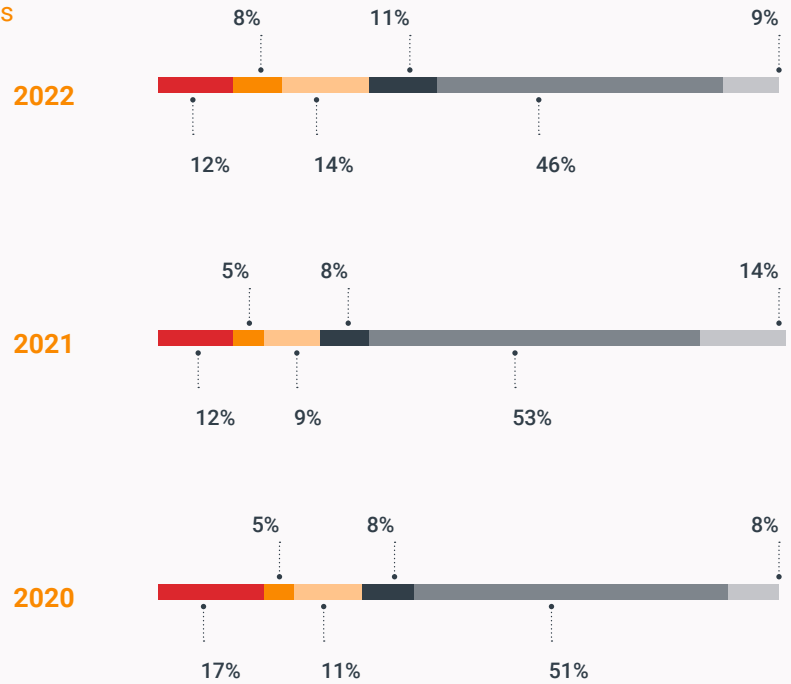
New Zealand's government was particularly progressive and supportive in its response to Covid-19, introducing a variety of measures to support businesses. For instance, the authorities introduced the ability for businesses to pay outstanding tax in instalments, or have it written off completely in the case of serious hardship. These measures are still in place but will most likely come to an end.

Property tax payments on business premises also reduced in frequency during the peak of the crisis. In 2021, just over a quarter of jurisdictions required some or all companies to pay the tax at least every three months. This compares to one in three jurisdictions in 2020 and has since rebounded to 2020 levels.

Frequency of property tax payments required on business premises for some/all companies

- Every time a transaction happens
- Once a month or more
- Once every 1 to 3 months
- Once every 4 to 6 months
- Once every 7 to 12 months
- Less than once a year

* Total is not 100 because individual percentages are rounded to the nearest whole number.



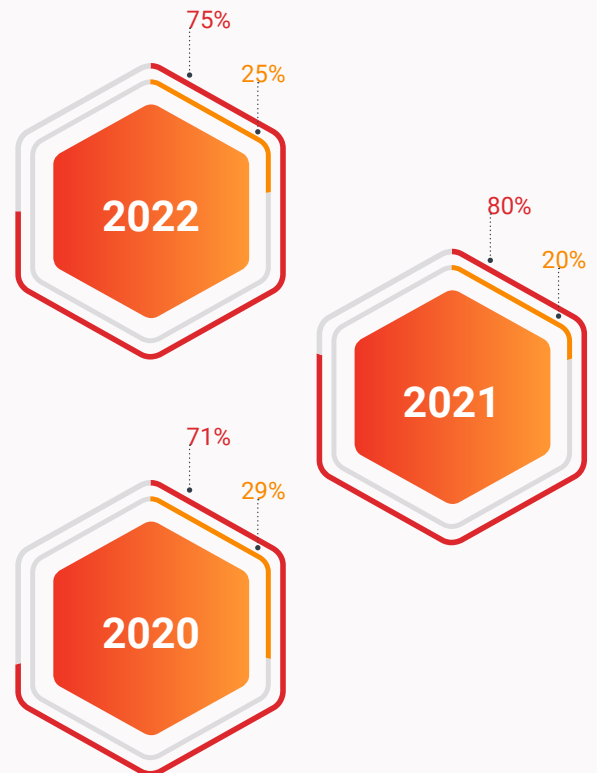
Temporary measures to protect employees in 2021

During the height of the pandemic, many businesses were considering reducing their workforce due to decreased revenues and fears for survival. Governments around the world identified that it was crucial for unemployment levels to remain as low as possible. As such, many introduced temporary relief programmes such as the ‘furlough’ scheme in the UK, or ‘*chômage partiel*’ in France, to encourage businesses to keep their staff employed.

As well as these supportive schemes, some governments went a step further, introducing legislation to force the hand of companies. In 2021, we saw employee protection rights temporarily strengthened, with the ability to fire an employee without citing a reason reducing to only one in five jurisdictions.

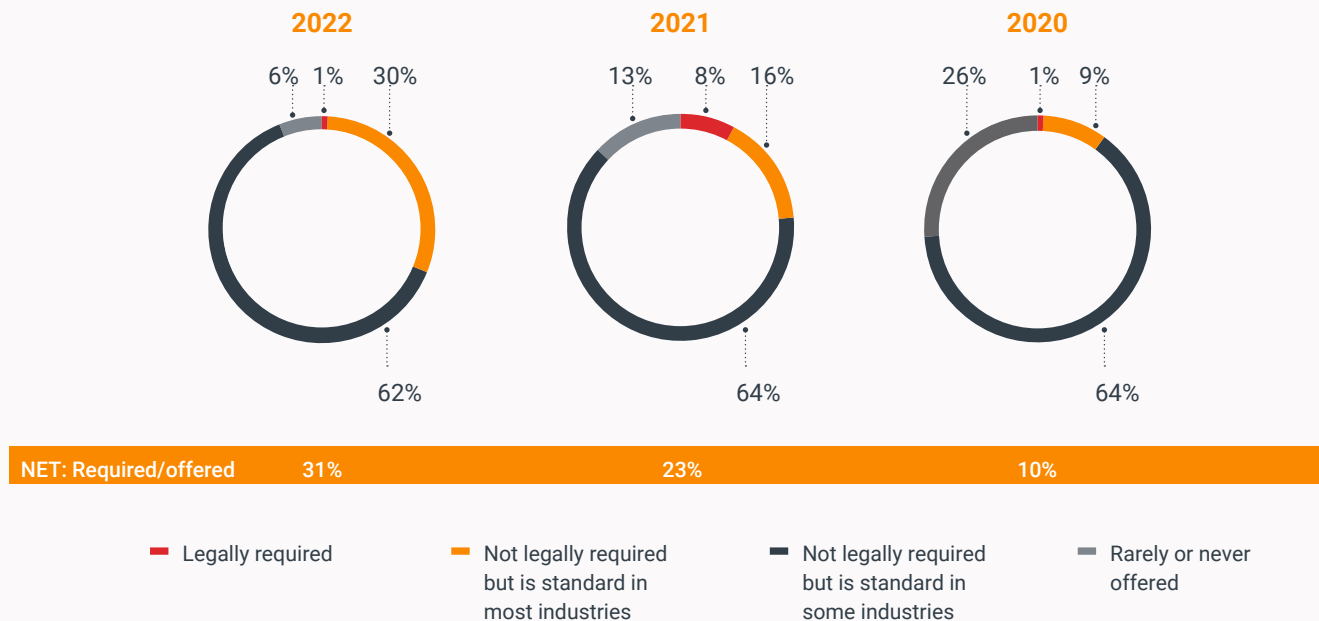
In Italy, emergency pandemic laws called the ‘*cura Italia*’ came into force which made it illegal to fire any employee, even with a valid reason. In South Korea, the government made it practically impossible to fire employees. This, coupled with South Korea’s maximum 52-hour working week, makes the business environment more complex and legislation around firing employees remains strict in 2022. The Labour Standards Act (LSA) mandates that any company with more than five employees must have a fair reason for terminating an

The ability to fire employees without a reason



- Cannot fire without citing a reason
- Can fire without citing a reason

The option of remote working for permanent employees



* Total is not 100 because individual percentages are rounded to the nearest whole number.

employee. It is also mandated that businesses pay redundancy to any fired employees.

The peak of the pandemic saw an increase in companies offering, or being required to offer, paid sick days to their permanent staff, from 89% of jurisdictions in 2020 to 95% in 2021. This year, we've seen pay for sick days drop back down to 90%, meaning that in one in ten jurisdictions permanent employees don't receive pay if off work due to illness.

The Danish government reimbursed companies for their employees' sick days throughout the height of the pandemic. This proactive measure led to an increased administrative burden to recoup funds, and in extreme cases led to an increase in fraud and subsequent fines.

Yet, during the height of the pandemic, some financial benefits were deprioritised. The requirement for companies to offer pension funds was relaxed, dropping from 58% of jurisdictions in 2020, to 48% in 2021. This was a temporary change, and it has since rebounded to pre-pandemic levels.

Flexible working will outlive the pandemic

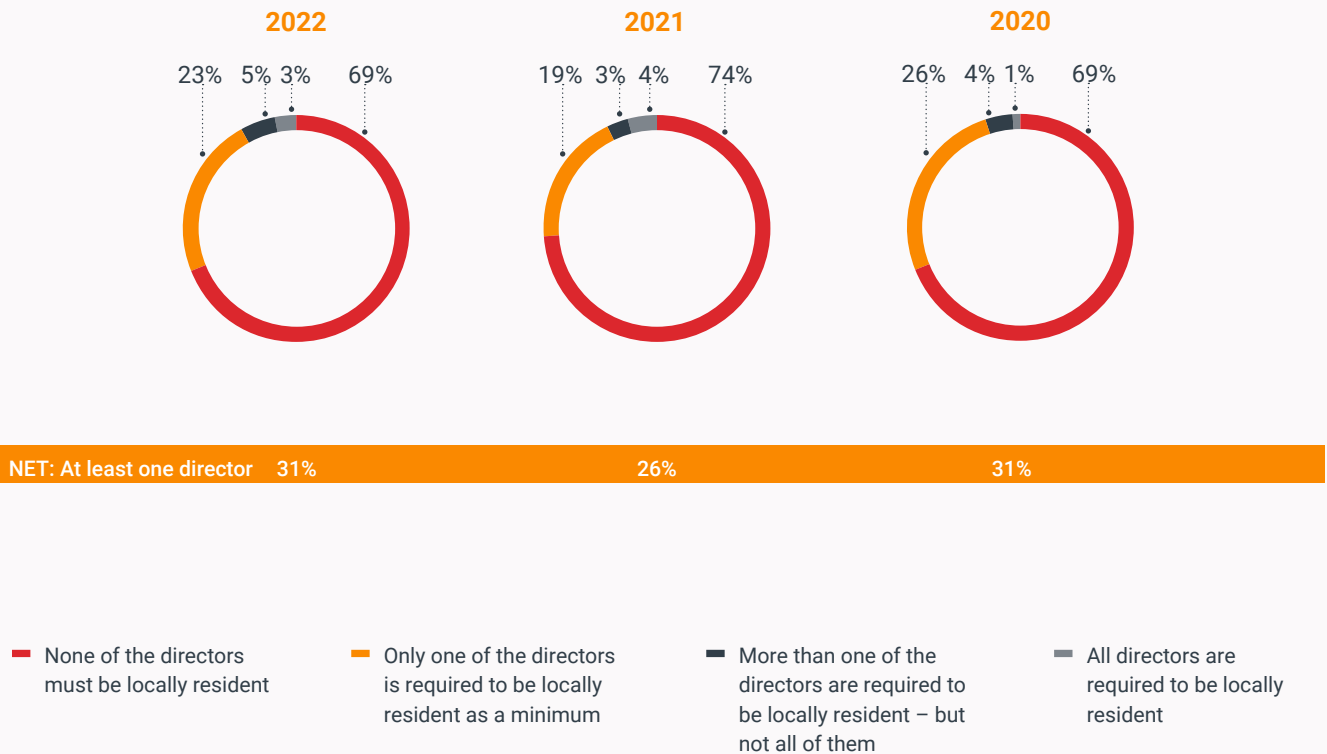
The pandemic has caused a major and long-term shift in working patterns. Many governments mandated the closure of offices in the initial stages of the pandemic,

and workers had to set up office from home. In 2021, we saw almost one in four (23%) jurisdictions offering, or being legally required to offer, the option for remote working as a benefit for permanent employees, up from 10% in early 2020.

While offices are reopening or have reopened, the trend for remote working has increased, to the point where it's legal or standard in most industries in 31% of jurisdictions. It is evident that employees have adapted well to working from home and proven that a remote workforce can be effective, and even beneficial in many ways. Businesses have recognised the potential for overhead cost savings, and have identified the necessity to offer flexible working arrangements in order to retain their workforce and attract talent.

The rise of remote working does have tax implications, however. For example, in the USA, if an employee is working in a different state to that in which the company is registered, they must adhere to the tax regulations in the state in which they are working. This was not the case during or before the pandemic, but post-pandemic legislation has been passed because remote working is here to stay.

Director local residency requirements



Nearly a third of jurisdictions now require at least one company director to be locally resident



Temporary shift to more internationalised regulations

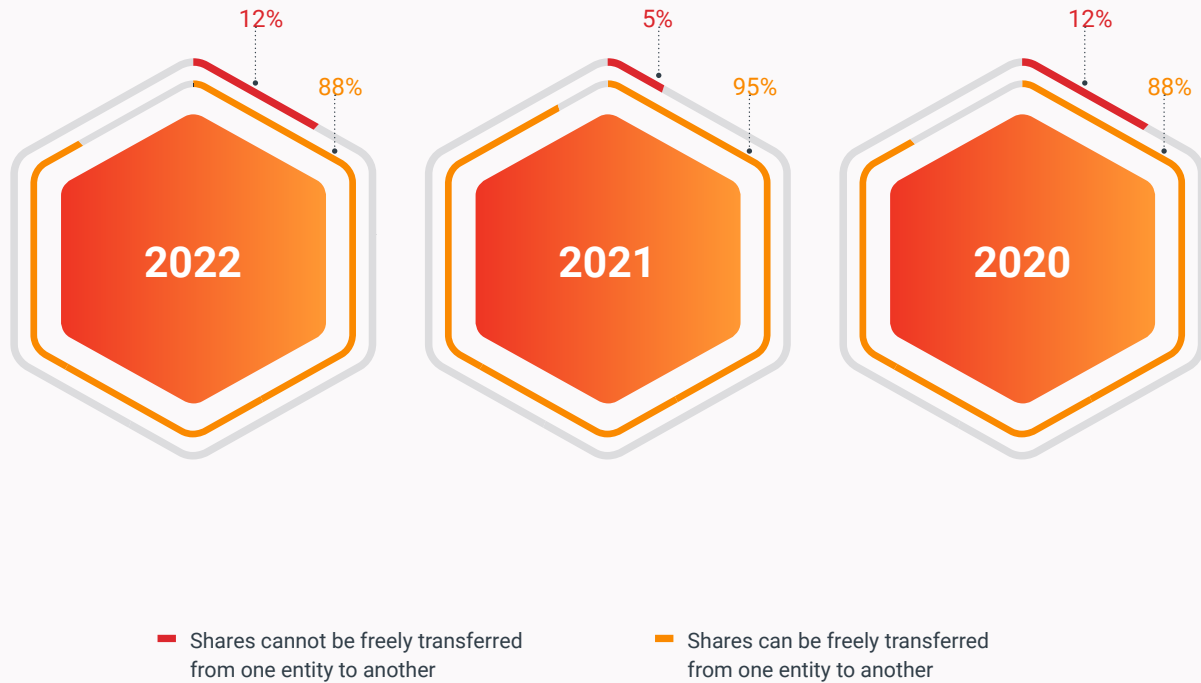
During the pandemic, many governments temporarily relaxed rules when it came to director residency and share transfers from one entity to another.

In 2021, we saw an increase to 74% of jurisdictions not requiring any company directors to be locally resident. Yet in 2022, this returned to the same level as 2020, with only 69% of jurisdictions allowing this – so nearly third of jurisdictions now require at least one company director to be a local resident.

In Sweden, having a local resident as a company director brings real benefits, including driving business simplicity. BankID is a key aspect of operations, which only local residents with a Swedish personal number are able to access. Opening a bank account, making payments, logging-in to digital mailboxes and receiving mails from authorities all require a BankID.



Shares being freely transferred from one entity to another



In 2021 there was also a temporary relaxation of company shares being freely transferred from one entity to another. In 2021, only 5% of jurisdictions didn't allow this, yet 2022 has seen a return to 2020 levels, with 12% once again restricting the free transfer of shares.

Digitalisation of reporting has accelerated and is here to stay

The final major change brought about by Covid-19 has been the accelerated digitalisation of reporting processes. Many countries were forced to adjust their digitalisation trajectories, and this has yielded varied levels of success. For example, in Turkey, the expediting of digitalisation has led to divergent approaches from different authorities, rather than the adoption of centralised processes, therefore causing confusion and overcomplication for companies that are required to use them. There is no evidence to suggest that the centralisation of these platforms will happen soon. In Greece, where digitalisation has been introduced, business complexity has seemingly shifted into the

digital sphere, rather than being reduced by it. For instance, organisations can in theory incorporate a business online. However, this process must conform to an online template, and if any circumstances arise that require deviation from this template, business representatives will need to visit a notary in person. Only an estimated 10% of businesses have been able to incorporate using the online template with no changes. So, even though the effort to reduce the complexity is there in theory, in practice it's not working for 9 out of 10 users.

At the other end of the spectrum, Jersey's digitalisation journey has been a success, reducing the need for face-to-face interaction between businesses and government bodies, making doing business significantly easier.

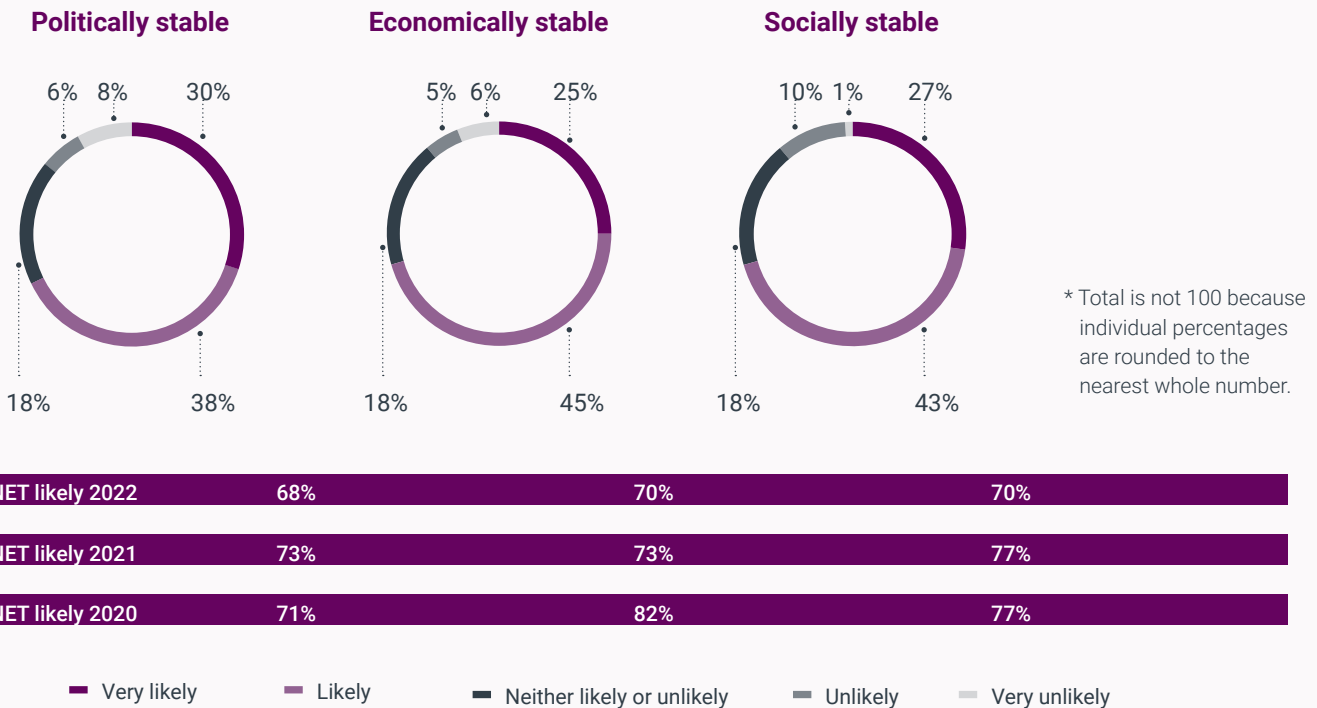
GLOBAL
THEME

#2

SIMPLIFICATION: DRIVERS AND BARRIERS



Political, economic, and social stability over the next 5 years
(% agreeing their jurisdiction will be stable)



By examining historic GBCI data and that gathered in 2022 we have identified several common characteristics, or drivers of simplicity, that tend to make a jurisdiction a more business-friendly environment. Those lacking these hallmarks are typically more complex places to do business.

Drivers of simplicity:

- political, social and economic stability
- digital literacy
- open and defined laws and legislation
- international alignment.

Political, economic and social stability

Over the past two years the global political, economic and social environment has faced unprecedented uncertainty. The Covid-19 pandemic has had an impact that will last for many years. However, other factors, including geopolitical tension between China and the US, and the Russian invasion of Ukraine, have increased the climate of uncertainty. This has led to more local experts predicting instability over the next five years.

Political stability

This prediction has remained the most stable factor since 2020. However, there have been some regional changes. In 2020, 60% of TMF Group experts in South America predicted that over the next five years their jurisdiction would be politically stable. This has dropped to just 30% in 2022. Jurisdictions driving this shift in the region include Argentina, Bolivia, Peru, Honduras, Venezuela, and Chile.

Our experts in Peru report that, following the election of President Pedro Castillo in July 2021, Peru has been experiencing uncertainty. Castillo’s term comes after six years of political insecurity including temporary and caretaker governments and widespread political dissatisfaction. Other jurisdictions in the region, such as Colombia, have elections in 2022 that impact the political climate. The Chilean government is also rewriting its constitution, which increases business uncertainty.

Economic stability

Since 2020 this area has seen the biggest drop in confidence among experts, with an increasing number predicting economic instability. Covid-19 has been a clear

factor. As we emerge from the pandemic inflation crises are to the fore in many jurisdictions.

In previous GBCI reports we have observed inflation issues in many South American jurisdictions. However, following the pandemic, EMEA, APAC and North America are also finding themselves facing inflationary pressures.

In New Zealand, during the Covid-19 pandemic the government supported businesses and individuals, offering generous packages. Although a great help to those operating and living in the jurisdiction, this has also added to the rate of inflation, as TMF Group expert Vincent Gin explains:

“A consequence of this governmental support is that inflation increases. We’re pumping so much more money into the economy that it’s boosting and inflating prices as well. There are other elements involved, of course, but it’s a major contributory factor.”

Turkey has been experiencing hyperinflation following the pandemic. This has created a need for businesses operating in the jurisdiction to apply for hyperinflation accounting which will come into place from next year, adding to complexity. However such inflation does make the jurisdiction more attractive for some investors as Turkey is a more affordable market.

Social stability

Regionally the predicted reduction in social stability is driven by South America and EMEA. In EMEA there have been widespread changes in mood. Since 2020, the following jurisdictions have predicted that they will be less socially stable than previously: Greece, Turkey, Hungary, Poland, Italy, Czech Republic, Ukraine.

It should be noted, research for this report was conducted before the Russian invasion of Ukraine took place. So, the Ukrainian prediction of less social stability is not necessarily linked to the crisis. However, it is important to consider how expert opinion on political, social, and economic stability may change now we’re able to more clearly understand the crisis. It will be key to consider the war currently being fought in Ukraine when looking at foreign business investment, incorporation and operation.

Digital literacy

Globally the way businesses operate and incorporate is becoming increasingly digitalised. In some places this has been accelerated by the Covid-19 pandemic. However, many jurisdictions are turning to technology to make their jurisdiction less complex and more attractive to foreign businesses and investors.

For instance, since 2020 the percentage of jurisdictions where all relevant authorities are automatically notified following incorporation has risen by 10%. This significantly reduces the administrative burden on businesses.

Over the past year, Jersey has become simpler in our GBCI ranking, moving from 45th most complex in 2021 to 72nd in 2022. A key factor is the technological advancements that have facilitated contact between businesses and the relevant governing bodies.

Since 2020 we have also observed a steady rise in jurisdictions mandating the need to issue tax invoices in an electronic format.

In 2022 more than half (51%) of jurisdictions have made it compulsory for tax invoices to be issued in an electronic format, compared to only 38% in 2020. Looking at the jurisdictions we observe year on year to be the simplest, we see that they tend to have a longstanding commitment to digitalisation. These include Denmark, Curaçao and the BVI.

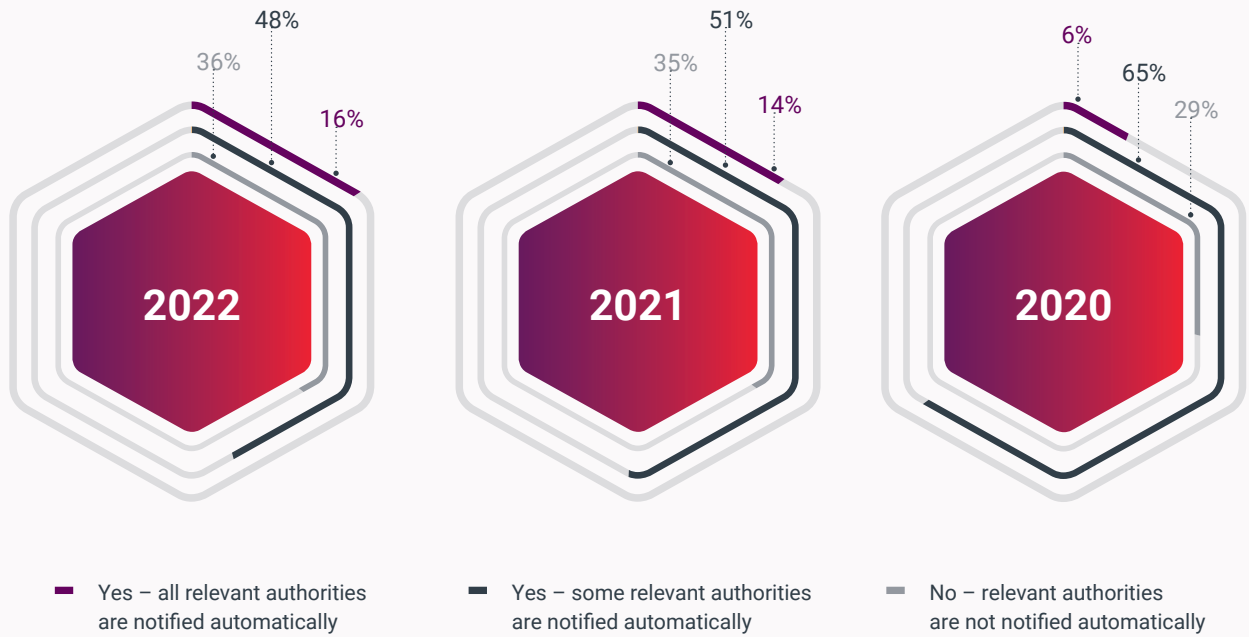
Although, over time, digitalisation can drive simplicity and be a benefit for foreign businesses, many jurisdictions report an initial ‘hump’ of complexity while governments, bodies and businesses adapt to new digital processes.

For example, since 2020 India has become gradually simpler in our index, falling from 18th most complex to 25th in 2022. Its economy has become more digitalised in recent years, and although this does make the jurisdiction more attractive to investors, businesses need to get used to operating in this new way.

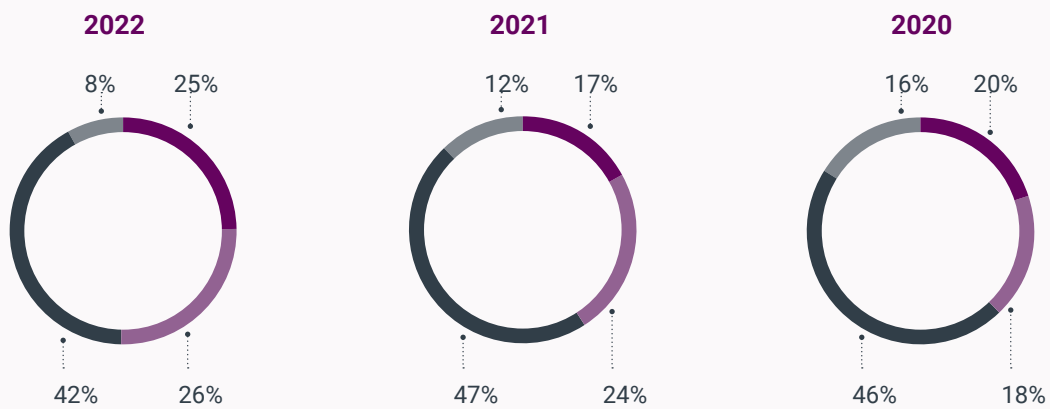
“We’ve seen a big digital push over the past five years. We have more e-filings in place, which I think the world started to bring in around a decade ago. Back then we were lagging behind, but now we’re catching up. I still remember a few years ago when I would go and line up to file a payroll report. The next day I’d have to go back and queue up again to collect it. It’s very different now.”
– *TMF India expert*



Automatic notification of relevant authorities following incorporation



Compulsory issuing of tax invoices in electronic format



NET: Compulsory 51% 41% 38%

- Compulsory for all companies
- Compulsory for some companies
- Not compulsory
- Not applicable

* Total is not 100 because individual percentages are rounded to the nearest whole number.

Types of guidance available from local authorities on how to abide by local rules and regulations

■ 2022 ■ 2021 ■ 2020



Open and defined laws and legislations

Jurisdictions where laws and legislation are clear and not open to interpretation tend to be simpler, often because government actively seeks to help businesses adhere to the regulations they put in place.

Now 90% of jurisdictions offer online guidance to help businesses abide by local rules and regulations. Only 5% report that there is no on- or offline guidance in place to support organisations, demonstrating a more supportive approach.

Some jurisdictions take this further. In Ireland, for instance, the government works with key stakeholders, including businesses, to shape rules and regulations so that they work well for those impacted by them.

“The Irish government and regulators try to collaborate with you to make something work. They’ll say no if they won’t help, but they will consult with companies to make things happen.” – *TMF Ireland expert*

However, jurisdictions aren’t always helpful when developing rules and regulations. Greece continues to be complex, ranking 6th this year, driven in part by constantly changing and unclear legislation. There are around 150-200 new laws and 1,500-2,000 decisions made related to tax each year.

In China, at the end of 2021, there was a U-turn on new tax laws that would have impacted expatriates working in the jurisdiction. This decision was announced at a late stage, meaning many foreign businesses had

already changed processes and procedures to meet the requirements of the tax. Such decisions create administrative burdens for foreign businesses.

“On 31 December 2021, the government actually made a U-turn relating to regulation that had been announced two years ago. If you see this kind of unexpected change, you will make businesses quite nervous, what will be next?”

– *TMF China expert*

Governments put in place penalties in the case of misdemeanours, such as for submitting inaccurate tax calculations, with 97% of jurisdictions now opting for fines in the case of inaccurate tax filings.

India has recently taken a progressive approach by removing penalties for directors to encourage them to be more open and transparent, resulting in businesses feeling supported.

International alignment

For businesses seeking to incorporate and operate across borders alignment is key, allowing them to operate in a similar manner across multiple jurisdictions.

Adoption of international standards such as CRS and FATCA has been growing in recent years, reflecting a steady global move towards transparency.

Since its introduction in 2014, CRS has been adopted by 86% of jurisdictions globally. It mandates the exchange of

Penalties for inaccurate tax filing calculations

■ 2022 ■ 2021 ■ 2020

Fine



Imprisonment



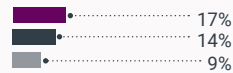
Suspension of activity



Prevention from doing further business



Licence suspension



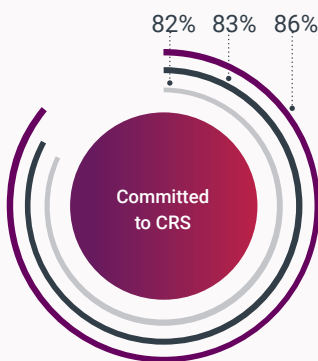
Other



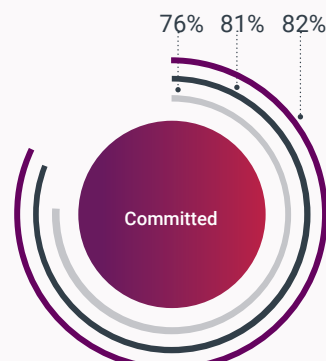
None of these



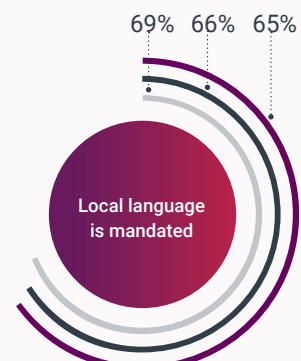
Committed to exchange of information under CRS



Commitment to FATCA Model 1



Mandate to maintain accounts in local language



■ 2022 ■ 2021 ■ 2020

financial institution information between jurisdictions and increases transparency. A standardised approach means a foreign business operating in a CRS jurisdiction faces limited complexity adhering to it in other jurisdictions.

The slight increase in adoption of CRS has largely been driven by changes in South America. In 2020, 60% of jurisdictions in the region adhered to CRS, jumping to 89% in 2022. Ecuador and Peru are among jurisdictions to have adopted it since 2020.

Similarly, adoption of FATCA Model 1 has steadily increased since 2020, while commitment to FATCA under IRS has steadily decreased. FATCA, like CRS, encourages the sharing of information between jurisdictions. Increased commitment to FATCA demonstrates a rise in transparency and global alignment.

Another way that jurisdictions can be internationally aligned is through local language requirements, or a lack thereof. Businesses seeking to incorporate and operate in foreign jurisdictions can find it simpler if paperwork, tax filings and interaction with bodies can be facilitated in a language they speak such as English or Spanish.

Despite this gradual shift towards delocalising language requirements, jurisdictions such as Slovakia still stipulate that business must operate and report in the local language. The government portal for electronic communication is in Slovak and can be accessed only via national ID or a special ID card that takes a relatively long period of time to acquire. This creates complexity through the need to enlist local support to overcome the language barrier.

GLOBAL
THEME

#3

THE RISE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ENVIRONMENTAL

SOCIAL

GOVERNANCE





Globally ESG is becoming more of a focus for business. However, despite the increase in interest, legal enforcement of ESG practices is not yet in place for around half of jurisdictions. This is especially the case outside the EU. ESG regulations have already been handed down to EU member states. For those that do not have legal enforcement of ESG regulations, most jurisdictions' governments offer guidance to corporations, especially large ones, which they are expected to follow and use as guidelines.

There is currently a lack of international alignment outside of the EU, meaning the application and impact of ESG is difficult to measure and compare, particularly when it comes to complexity. Although ESG is on the rise globally, jurisdictions such as France have been leading the way for many years, whereas in the Americas ESG regulatory uptake has generally been slower with jurisdictions such as Colombia only recently introducing legislation.

Outside the EU, countries have taken similar steps to define their own sustainable finance framework. Canada and Australia have set up taskforces to deliver proposals to define regulations at national level and are coordinating their work with the EU through the International Platform for Sustainable Finance. Australia has made a sustainable finance taxonomy a priority in 2022.

A major driver of ESG practices and sentiment is the demand from companies, consumers and private investors for more ethical and sustainable ways of doing business, rather than an enforced legal drive by governments.

In jurisdictions where there is no legal enforcement of ESG practices, stakeholders are driving expectation for companies to have these policies in place.

For China, the situation is more advanced as their taxonomy was already in use prior to the EU defining their own. Towards the end of last year, the two taxonomies were laid out for comparison to identify commonalities and the main differences. The aim was to develop a 'common ground taxonomy', increasing interoperability of taxonomies around the world and aiding investors.

"ESG is increasingly on the radar of the state, with the focus on state owned and public companies"
– *TMF China expert*

EU ESG regulations

Sustainable Finance Disclosure Regulation (SFDR)

SFDR requires financial market participants (FMPs) to categorise their investment funds managed or marketed in the EU on a sustainability scale and was applied across the EU in March 2021.

EU taxonomy

This recently applied directive aims to classify investments that are sustainable, and direct investments towards sustainable projects and activities. It provides companies, investors, and policymakers with appropriate definitions for economic activities to be considered environmentally sustainable. It should help investors avoid greenwashing, allowing companies to become more climate friendly, mitigate market fragmentation and shift investments towards the fight against climate change.



Reporting in line with the EU regulations and taxonomy being implemented in national law from spring 2022 applies to bigger corporations and financial institutes, such as banks and insurance companies. We expect this to be a lasting change.

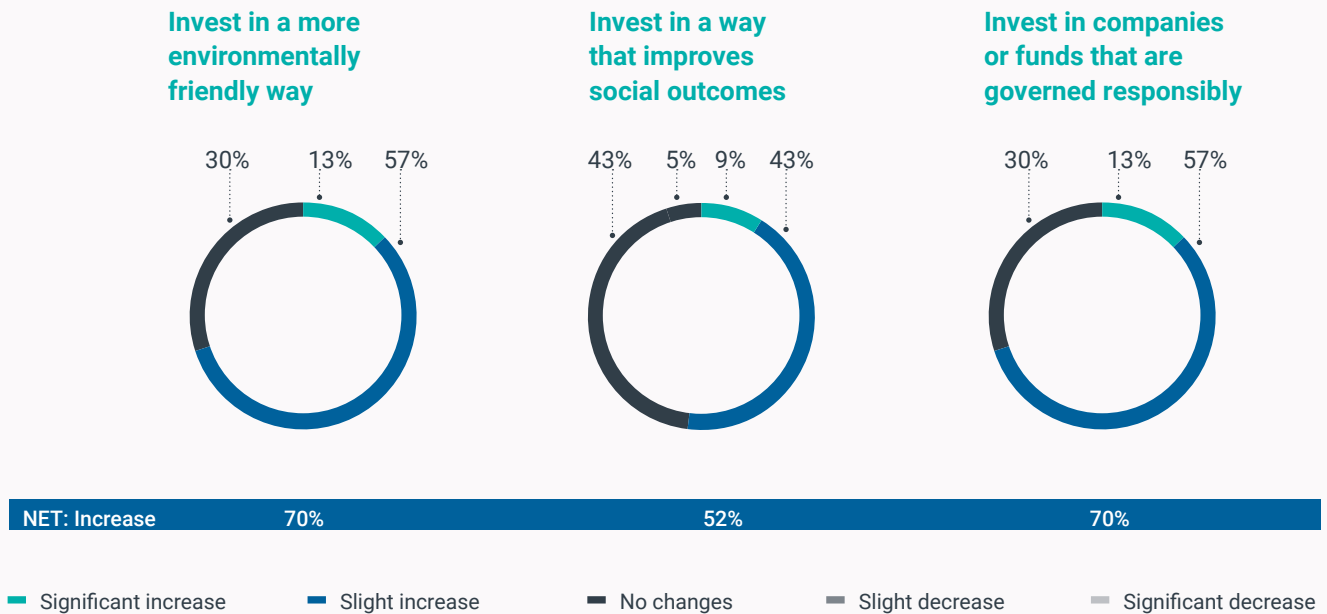
TMF Norway expert

EU law is being transposed locally, so ESG is definitely here to stay and is becoming more relevant.

TMF Cyprus expert



Changes in private wealth and family office clients looking to...



Environmental

“What we see is that most of these [ESG] trends are driven by suppliers, by investors, by the corporate world. And less so by governments themselves.” – *TMF Group accounting and tax expert*

“ESG is definitely a hot topic. How much of it gets instituted is yet to be seen.” – *TMF US expert*

Typically, environmental legislation target large corporations, and sectors that contribute negatively to the environment, such as those exploiting natural resources. However, more companies, regardless of size or industry, are now expected to have sustainability on their agenda. Given the rise in environmental consciousness, the expectation for companies to think ‘green’ is firmly on the agenda.

As with broader ESG regulations, the adoption of green legislation is not mandatory in all regions, though in the EU it is compulsory for large companies and financial market participants. At a jurisdictional or country level, some consider themselves a leader in the environmental sustainability space, whereas others refer to legislation that governments are only starting to adopt.

Guernsey and Jersey are two of the jurisdictions leading on environmental sustainability in the funds space. The Guernsey Green Fund Initiative sets out guidance for fund sponsors and limited partners (LPs) in structuring a legitimate green fund. In Jersey, the authorities have introduced ESG-related legislation for funds and fund service providers, to combat the risk of ‘greenwashing’.

Private wealth and family office services are increasingly taking environmental practices into consideration. Clients have been increasingly investing in environmentally friendly practices over the past year in 70% of jurisdictions.

In Indonesia, ESG legislation requires that all publicly listed companies and those under the supervision of the Indonesian Financial Services (OJK) submit an annual sustainability report. Such requirements can add to complexity for those starting out on their ESG journey.

Some governments are also at an early stage of their engagement with ESG, with many only just adopting environmental initiatives and guidelines. In December 2021, for example, Colombia introduced a law for the creation of life areas and forests, while Turkey’s government introduced a recycling packaging law as recently as September 2021.

At a global level, environmental legislation is being enforced at a relatively slow rate. In the case of accounting and tax, governments are less keen to enforce green and sustainability taxes, as they do not have a large impact on government revenue, so will choose to tackle other taxes as a priority.

“We see an increase in the introduction of green sustainability taxes, but it’s not something that advances very fast. Probably because of all the other challenges that we are talking about, such as Covid-19 and the need to raise corporate income tax rates and VAT. With green taxes or sustainability taxes, the impact upon the government revenue is not that big. Therefore, since the authorities need money to fund their government spend, it’s more likely that they are going to focus on the big-ticket taxes.” – *TMF Group accounting and tax expert*

A lack of international alignment on environmental legislation and reporting means additional layers of sustainability reporting at a jurisdictional level can add complexity and challenges for companies looking to do business across borders.

Social

As we’ve seen with sustainability initiatives, there is an increasing global focus on socially minded regulations

that aim to support and protect employees.

Certain HR-related benefits that companies are legally required to offer permanent employees have increased compared to previous years. For example, health insurance (58%), childcare assistance (31%) and housing/ social care contributions (27%) are all more likely to be legally required in 2022.

Companies are also required to submit reports and information related to equality, covering areas such as gender pay gap and disabilities, in more jurisdictions – up to 26% in 2022 from 9% in 2020.

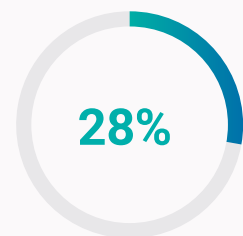
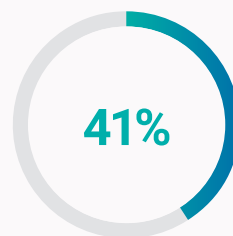
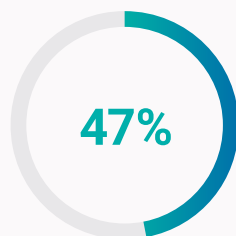
The requirement to submit employee demographic reports to government authorities has also increased year-on-year, from 28% in 2020 to 47% in 2022. In terms of the frequency of submissions, half of jurisdictions (51%) state that employee demographic reports are submitted at least once every three months, while 36% indicate the same cadence for gender pay gap reports.

The upward trend in employee statutory reporting and data gathering was discussed by TMF Group payroll and HR experts Adele Ewing and Gary Wright:

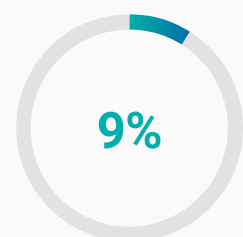
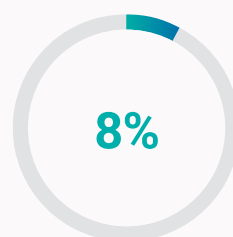
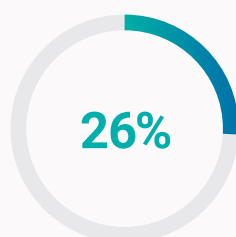
“On the HR side, people want more information about people’s circumstances, eg disability, hours they work, gender pay gap reporting. All of this has really ramped up

Reports on employees that companies are required to provide to government authorities for all organisations

Employee demographics



Equalities reporting (gender pay gap, disabilities)



over the last five years or so. Also, a lot of countries also want to understand the compound differences between the salaries of the chief executive and the lowest paid person in the organisation. So, we're having to produce a lot more data."

These reports are growing in importance and relevance, but they add to the complexity of doing business in a jurisdiction.

As with ESG, some locations are considered 'leading' jurisdictions in the social space. In France, for example, there is mandatory reporting based on diversity, disability and the gender pay gap. Disability reporting is required for companies with as few as 20 employees, with gender pay gap reporting obligatory for those with 50 or more employees (50 is also the minimum in Portugal).

"For the gender balance, there's a yearly mandatory report and if it's not filled, you're going to have fines. So, it's pretty easy to track." – *TMF France expert*

In Croatia quotas have been set for employing people with disabilities. An employer that does not comply is obliged to calculate and pay a monthly fee – 30% of the minimum wage for each person with disabilities they were obliged to employ to meet the quota.

Other jurisdictions have recently adopted employment legislation to address diversity and inclusion. In Colombia, the government introduced the first law of its kind in December 2021, with companies receiving incentives to hire young people or women.

Governance

The final element of ESG covers corporate governance. There has been a trend for greater corporate responsibility and transparency, especially for larger organisations, and even state-owned companies.

In the case of providing Ultimate Beneficial Owner (UBO) and/or person with significant control (PSC) information to a central register, there is an increasing requirement to maintain this information at the company's registered address, rising from 48% in 2020 to 55% in 2022. The requirement to make UBO/PSC information accessible to the general public has also risen, from 24% in 2020 to 29% in 2022.

Furthermore, three quarters (74%) of popular private wealth and family office (PWFO) jurisdictions require

individuals holding private wealth there to disclose their identity to relevant authorities. Transparency for investors is a global trend, but for some investors maintaining a level of privacy is important. For wealthy individuals from South American jurisdictions, investing in jurisdictions such as Curaçao and the BVI can help them to protect their assets and safety. Such individuals could be at risk if criminals and gang members in their own jurisdictions were made aware of and had potential access to their wealth.

"Being close to South America, and with the constant political unrest in certain jurisdictions, South Americans want to make sure that their assets are safe. So, they will put them in offshore entities. Not to avoid tax, but just to make sure that they cannot be taken away by the government. Also, they are putting their assets here so that local banks cannot share information with criminals, so it's really also about safety." – *TMF Curaçao expert*

Three quarters of jurisdictions (76%) report that directors of Special Purpose Vehicles (SPVs) can be held personally liable for business obligations, linking to a focus on transparency and a focus on adherence to local laws and legislation.

This year's research highlights transparency requirements for publicly listed companies are also on the rise. For example, since 2020 in the Philippines publicly listed companies are required to submit a manual on corporate governance. This focuses on governance responsibilities, disclosure and transparency, internal controls and risk management, relationships with shareholders and duties to stakeholders.

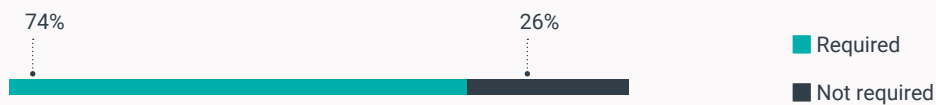
In Brazil companies are increasingly talking about their focus on good practice and transparency: "Brazil has a recent history coming from corruption and confrontation, which has propelled a lot of positive reactions from relevant market players towards ESG. We see companies publicising their good practices and we see good results." – *TMF Brazil expert*

We have seen, and will continue to see, an increase in the kind of legislation currently being introduced in Europe, covering areas such as whistleblowing, anti-corruption and good governance. Not only is there an increase in this type of legislation, but there is an upward trend of this type of transparency to be expected by external clients and investors.

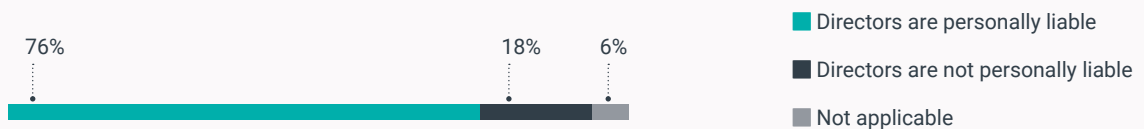
"Firms are becoming much more interested in who they're doing business with and making sure they're



Requirement for PWFO individuals to disclose their identity to relevant authorities



Directors of Special Purpose Vehicles (SPVs) held personally liable by the authorities for business obligations



affiliating themselves with firms that have similar values and ethics, and ethos around how we treat people, how we treat the environment, and making sure that we have high standards for ourselves as part of the global community. Our clients typically report straight to the board on who they deal with, who they interact with, and they want to make sure that who they're doing business with has similar values and expectations." – *TMF Group global entity management expert*

How will ESG impact complexity?

It may be too early to say how this increased focus on ESG will impact businesses. However, ESG reporting requirements will increase complexity. Companies will have to implement ways of monitoring elements such as their carbon footprint, employee demographics, and who they invest in and with.

"I think ESG will make things more complex. If you're looking at the bigger clients who will have to give ESG reporting, it's new metrics that they haven't necessarily gathered together before." – *TMF UK expert*

However, if ESG practices align on a global level, as they have done for EU jurisdictions, ESG reporting could be a uniform step forward for everyone, having a minimal impact on complexity.

"I think the more that ESG becomes part of our standard approach to business and building our business relationships, the more we standardise it, the easier it will

become. So, in that sense, I would say it could actually make things easier for us. The other side of the coin is that the more we integrate ESG, it's another hoop to jump through and another level of due diligence to add to our processes. I think it could go both ways, but I do tend to err on the side that it could actually help to simplify as we standardise." – *TMF Cayman Islands expert*

With consumers, investors, and companies expecting organisations to have ESG practices in place, a change of culture is likely to take place globally. A step towards international alignment on ESG could mean that the impact on complexity is minimal, given all jurisdictions will have a similar experience.

"What you see more is the sentiment. Big concerns about big banks saying, 'We don't provide loans anymore for companies that are investing in oil or gas.' They want to start a new wave and invest in a new energy that is more sustainable for the future. That's a very important change compared with last year. The more significant companies are also investing in that, and they have policies in place. They're forced by the law, but they are also really taking concrete actions to make sure we are compliant with those laws and regulations. I find it really positive. What you are really seeing is a change in culture. I think that's a good step forward."

– *TMF Netherlands expert*

THE GLOBAL BUSINESS COMPLEXITY INDEX RANKINGS 2022

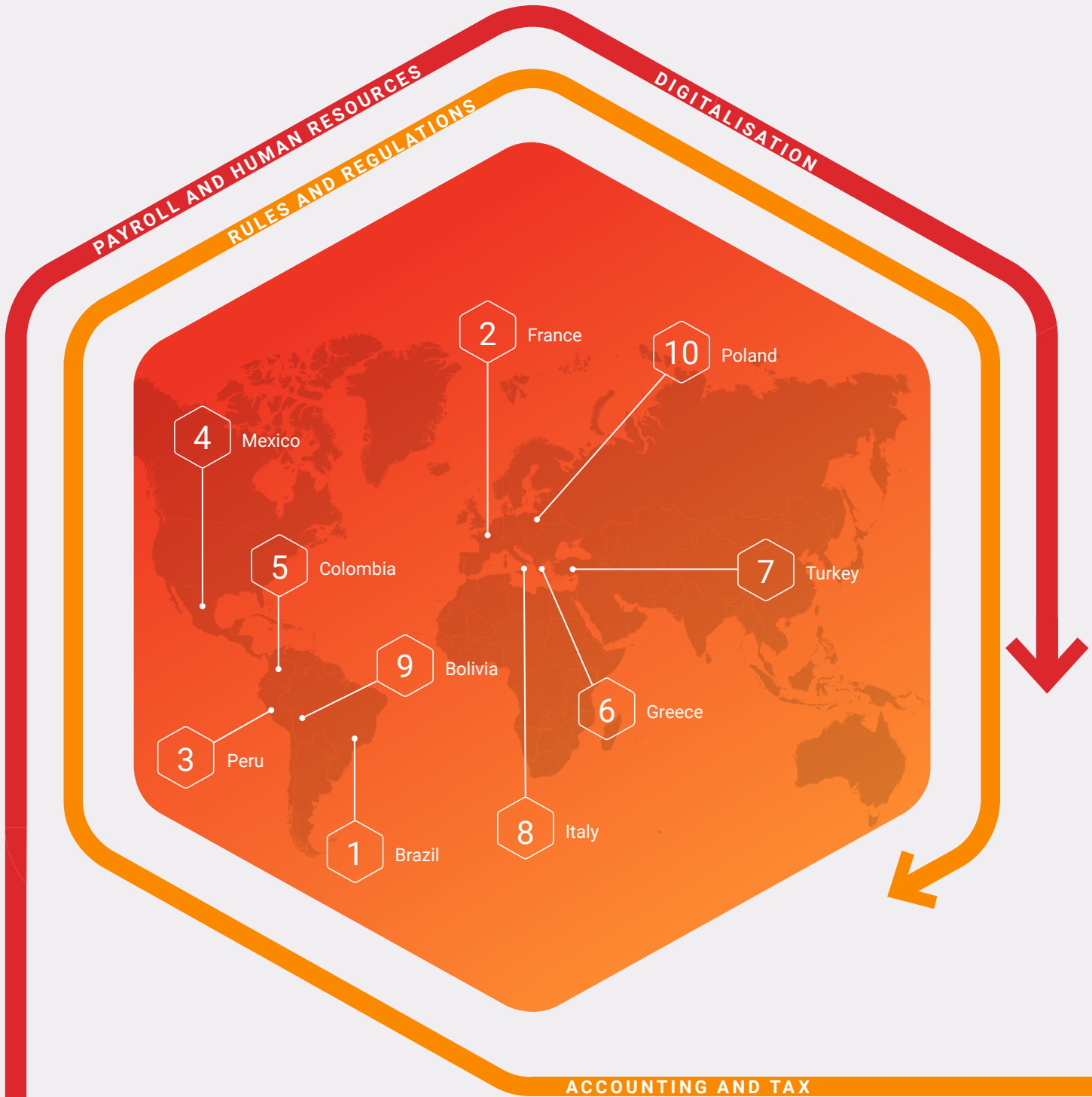
PAGES
24-29

	2022	2021	2020	
TEN MOST COMPLEX JURISDICTIONS	1 -	Brazil	(1)	(2)
	2 -	France	(2)	(12)
	3 ^	Peru	(24)	(23)
	4 v	Mexico	(3)	(13)
	5 v	Colombia	(4)	(8)
	6 ^	Greece	(13)	(5)
	7 v	Turkey	(5)	(11)
	8 ^	Italy	(15)	(36)
	9 v	Bolivia	(8)	(4)
	10 -	Poland	(10)	(34)
	11 v	Indonesia	(6)	(1)
	12 v	Argentina	(7)	(3)
	13 ^	Sweden	(52)	(38)
	14 v	China	(12)	(6)
	15 ^	Chile	(40)	(64)
	16 v	South Korea	(11)	(17)
	17 -	Belgium	(17)	(19)
	18 v	Nicaragua	(14)	(7)
	19 ^	Paraguay	(58)	(33)
	20 ^	Germany	(27)	(40)
	21 ^	Venezuela	(33)	(52)
	22 -	Malaysia	(22)	(9)
	23 ^	Austria	(38)	(41)
	24 v	Kazakhstan	(16)	(25)
	25 v	India	(20)	(18)

2022		2021	2020	2022		2021	2020
26	∨ Slovenia	(23)	(30)	52	∧ Canada	(57)	(54)
27	∧ Uruguay	(39)	(43)	53	∧ Cyprus	(54)	(28)
28	∧ Dominican Republic	(41)	(67)	54	∧ Republic of Ireland	(74)	(70)
29	∨ Slovakia	(46)	(21)	55	∧ Qatar	(66)	(49)
30	∧ Philippines	(37)	(57)	56	∧ The Netherlands	(70)	(72)
31	∧ Ukraine	(35)	(56)	57	∧ Luxembourg	(65)	(50)
32	∧ Russia	(26)	(22)	58	∨ Singapore	(50)	(60)
33	∨ Romania	(29)	(35)	59	∨ Jamaica	(30)	(75)
34	∨ Croatia	(28)	(14)	60	∨ Switzerland	(56)	(62)
35	∨ Panama	(25)	(15)	61	– United Arab Emirates	(60)	(53)
36	– Guatemala	(36)	(32)	62	∧ Mauritius	(68)	(68)
37	∨ Portugal	(19)	(31)	63	∨ Czech Republic	(61)	(48)
38	∧ Hungary	(43)	(27)	64	∨ Israel	(63)	(63)
39	∨ Spain	(34)	(29)	65	∨ Australia	(62)	(58)
40	∨ Ecuador	(18)	(10)	66	∨ Guernsey	(55)	(45)
41	∧ Serbia	(48)	(20)	67	∨ Malta	(64)	(61)
42	∨ Vietnam	(21)	(24)	68	∨ United Kingdom	(53)	(44)
43	∨ Taiwan	(32)	(16)	69	∨ Norway	(51)	(55)
44	∧ El Salvador	(69)	(71)	70	∨ New Zealand	(67)	(59)
45	∨ Costa Rica	(9)	(26)	71	– United States	(71)	(76)
46	∨ Finland	(42)	(39)	72	∨ Jersey	(45)	(65)
47	∨ Honduras	(31)	(47)	73	∨ British Virgin Islands	(72)	(73)
48	∨ South Africa	(47)	(37)	74	∧ Hong Kong	(76)	(66)
49	∨ Thailand	(44)	(42)	75	∧ Denmark	(77)	(74)
50	∨ Bulgaria	(49)	(51)	76	∨ Curaçao	(73)	(77)
51	∧ Japan	(59)	(46)	77	∨ Cayman Islands	(75)	(69)

TEN LEAST COMPLEX JURISDICTIONS

TEN MOST COMPLEX JURISDICTIONS





↔ 1 Brazil

2021 (1)
2020 (2)

Brazil once again tops the ranking as the most complex jurisdiction after being at number one in 2021. The key drivers of complexity in Brazil are the volume of regulatory changes each year, as well as the three layers of tax regimes to comply with – federal, state and municipality.

Last year Brazil's complexity was driven by short-term changes made in response to the Covid-19 pandemic. This included temporary government incentives to help businesses reduce their payroll costs, and tax reductions to help companies retain their workforce. These adaptive changes came with a heavy administrative burden. Now, in this year's GBCI, the cessation of these incentives comes with a similar administrative workload as businesses revert to normality.

On the plus side, Covid-19 accelerated Brazil's already high levels of digitalisation. For example, prior to the pandemic, all notarial services required a physical presence, and the face-to-face signing of documents. This has been replaced by solutions such as digital formatting and video calls, and these changes look set to stay.

One of the most complex processes in Brazil remains the incorporation of new companies, taking a very long 45 days as businesses deal with three layers of regulation. At the federal level, businesses must set up a tax ID, and select their tax code based on the specific sector of their company. Companies pay VAT and service tax at the state level, and revenue tax at the municipal level. Revenue taxes vary from city to city. While this lengthy process is now mostly digital, companies must have an appointed locally residing representative. Foreign shareholders must appoint a resident legal representative and the local entity must have a locally residing officer.

Our experts in Brazil anticipate the year ahead to be 'business as usual'. They predict that no major reforms will occur in advance of the presidential elections in October 2022. From 2023 onwards, tax reform and simplification will likely become an active discussion on the political agenda.

While regulations in Brazil are complex, the jurisdiction presents opportunity, with a large consumer market of 213 million inhabitants. Assets under administration in Brazil are at an all-time high, with particular growth in the energy, infrastructure, and services sectors.



The dynamic of doing business in Brazil is one where you need to actively monitor for regulatory updates. Brazil is one of the jurisdictions with the highest number of legal or tax changes each year.

TMF Brazil expert

↔ 2 France

2021 (2)
2020 (12)

France remains in second place in our 2022 rankings. Historically employee centric, the French government's approach during Covid-19 emphasised that approach with economic schemes to help absorb some of the impact of the pandemic, supporting companies and, in turn, their staff. Although this support was attractive to businesses, benefitting from the schemes added administrative complexity.

Accounting and tax can be particularly complex in France due to local language requirements and the number of taxes and tax reports that need to be filed. These factors are challenging for foreign businesses which must adapt to local ways of working.

France is considered a leading jurisdiction for ESG, especially environmental and social legislation, and was an early adopter of EU rules, developing ESG regulations before the EU. Examples include gender equality legislation and rules for the employment of people with disabilities, which apply for companies with as few as 20 employees.

Although France is positioned as a complex jurisdiction, the current French government is business-oriented and is attempting to make the jurisdiction a more attractive destination. Therefore, complexity here lies in traditional and structural barriers.



You have so many different taxes and taxes for everything. You can have taxes on jewellery, you can have taxes on publicity, you can have taxes on water. You have taxes on many things, depending on your activity. A basic subsidiary will have to pay and fill out documents for around ten different things, even for a small company. It surprises foreign investors because they are not used to having so many different taxes to prepare.

TMF France expert

↑ 3 Peru

2021 (24)
2020 (23)

Complexity increased significantly in Peru since 2021, moving up from 24th to 3rd position in the ranking. This follows political unrest over the past six years, with corruption leading to caretaker governments. The inauguration of new president Pedro Castillo is contributing to uncertainty due to a perceived lack of political experience.

The process of incorporation is another key driver of complexity for both foreign and local business. It takes around 20 days, with the need for in-person signatures and meetings with notaries contributing to this extended period.

Another complexity factor is the monthly tax reporting requirements introduced in 2021. These require any business with monthly accounts of 10,000 soles (€2,540) or more to submit tax reports, with a view to reducing tax evasion. While this can be cumbersome for businesses, it does appear to support the drive for transparency.

Peru remains a highly attractive jurisdiction thanks to its rich natural resources such as zinc, copper, iron, and lead. In order to protect these resources and drive sustainability, Peru has laws and legislation related to the treatment of land. For example, the jurisdiction mandates public consultations that can take up to a year to explore the environmental impact of businesses seeking to profit from natural resources. Although this does increase complexity, it boosts the jurisdiction's environmental credentials, making it more attractive to organisations and individuals driven by sustainability.



I think one of the big things that needs to change to make Peru simpler for businesses is the introduction of e-signatures. At the moment, there is a need for in-person signatures, and visits to notaries. This can slow things down and make things more complex.

TMF Peru expert

↓ 4 Mexico

2021 (3)
2020 (13)

Unlike many other jurisdictions, Mexico did not implement any incentives during the pandemic to ease the financial pressure on businesses. This was in part due to the slow-moving nature of parliament, but also the impending 2022 political elections.

Incorporating a company remains one of the most complex aspects of doing business in Mexico. All companies must have a tax ID in order to legally exist, but this can only be obtained through a physical appointment, in order to collect biometric data. Throughout the pandemic, the tax authorities reduced their operating capacity to around 40%, adding significant delays to incorporation times. Opening a bank account is also a lengthy process, typically taking two to three months.

Operating in Mexico is complex but generally relatively predictable. Yet a recent law was passed requiring all companies to pay permanent employees 10% of profits generated each financial year. New businesses can be set up with this in mind, but this change created complexity for existing companies that had to manage and accommodate it. It also led to many businesses that hired subcontractors moving towards hiring permanent staff. Some companies that provide outsourcing services are subject to heightened reporting requirements.

From 1 January 2022, a new law came into action requiring businesses to provide information on UBOs to tax authorities. The exact requirements of the new law are not clear, with new obligations lengthening the incorporation process by around three weeks.

Another recent reform concerns payroll reporting. Tax authorities must timestamp all documents, and new legislation is coming into law which requires the postal code of employees to be on the timestamp. This will create a large and idiosyncratic administrative burden. However, there is hope that Mexico will become simpler as it moves beyond the pandemic.



I think the one thing that is going to ease complexity is the pandemic winding down. We expect the tax authority bottleneck to ease. With that aspect improving, all processes of establishing a business in Mexico may become simpler, a little bit less painful.

TMF Mexico expert



↓ 5 Colombia

2021 (4)
2020 (8)

Colombia has experienced many legislative changes over the last ten years. Taxes are very complex, having to be filed at national, regional and local level. The presence of more than 1,200 municipalities is one of the key drivers of complexity for businesses in the jurisdiction.

During election years the country is at a standstill, apprehensive until the outcome of the election is clear, and this has become more severe over the last two elections in which a viable centre-left candidate emerged.

Colombia has become a recent adopter of ESG legislation. A new law in December 2021 aims to create and preserve forests and other natural areas throughout Colombia, and the government has set out an agenda in line with the Paris Agreement to be carbon neutral by 2050. The government also introduced a new kind of employment law, whereby companies can receive incentives for hiring young people and/or women.



This is a very important year for Colombia. Although the elections are creating some uncertainty about future government policies towards companies and investments, the country has positively managed the pandemic and, after fully recovering its 2020 losses, is expected to grow more than 5% in 2022 according to the OECD.

TMF Colombia expert

↑ 6 Greece

2021 (13)
2020 (5)

Greece continues to be a complex place to do business. As in previous years, a key driver of complexity are the constant changes to legislation, with 150-200 new laws and 1,500-2,000 new decisions every year.

Although a changeable legislative climate is not new, the jurisdiction has become more complex in the last year, moving up the rankings from 13th in 2021. This has been driven by a new digital system introduced during Covid-19. Without this system, there would have been no other way for businesses to incorporate and operate due to a previous reliance on face-to-face contact between organisations and government bodies.

The introduction of digital processes typically simplifies incorporation and operations in the long term. However, it can create an initial period of increased complexity. We expect doing business in Greece will become simpler in the coming years thanks to this move, but it has produced pain points for the time being. As an example, the government has created a template for online business incorporation. However, it is only relevant for around 10% of businesses. For businesses that cannot benefit from the template, a visit to a notary is still required.

Accounting and tax digitalisation has also been problematic. The government's 'MyData' portal allows entities to upload tax records (sales) in real time, including the reporting of expenses and assets. In the long run, this aims to reduce complexity by giving the authorities a more complete and current view. However, revenues and expenses for 2021 need to be backdated. The Greek government has postponed the deadline for the submission of documents related to backdated revenues, due to the complexity of this process. MyData also requires investment: a minimum of €20,000 for medium to large businesses.

Despite the increase in complexity in the jurisdiction, Greece does remain attractive and there are hopes than in future years it will reap the benefits of its focus on digitalisation.



During the Covid years, there was no other way because, in practice, we didn't have electronic government processes. Within six months, the government tried to implement certain things, but it turned out to be electronic bureaucracy. So, we moved from the typical bureaucracy to the digital.

TMF Greece expert

↓ 7 Turkey

2021 (5)
2020 (11)

Turkey changes regulations regularly and continues its efforts to digitalise public services. Challenges lie in the short time period given to adapt to changes and lack of a collaborative cross-government effort, making compliance difficult. Regulatory changes are introduced with minimal information and guidance. Although it is difficult to adapt these changes within the required timeframes, they are intended to make Turkey a major player in the global economy.

Economic difficulties have also caused problems for Turkey in the past year. The Turkish lira has depreciated against foreign currencies and the country has experienced hyperinflation. The annual CPI for Turkey in 2021 was 40%, with the production index around 86%. In the first quarter of 2022, production index rates reached 100%, meaning there will be a significant impact on the price of consumer goods in the months following. Such uncertainty and flux can drive complexity for foreign businesses.

Despite the challenges, Turkey will be an affordable market for foreign investors and therefore considered attractive. However, the propensity for consumers to decrease may deter foreign investment.



In an environment where we offer services to multinationals and the decision-makers are outside of Turkey, you need to make all relevant parties aware of frequent changes in regulation and ask them to act quickly to adapt to the required changes as the signing authority. That is the main difficulty for all market stakeholders.

TMF Turkey expert

↑ 8 Italy

2021 (15)
2020 (36)

Italy has become increasingly complex over recent years, moving from 15th position in 2021 to eighth in this year's GBCI.

This hike in complexity is partly due to Italy being one of the first countries in Europe to introduce e-invoicing in 2020. Cross-border invoices will be added to the existing digital business-to-business transaction requirements from July 2022. While the steps required to transition to e-invoicing are challenging and time-intensive, in the long term, it should make operations far simpler by reducing manual input of accounting documentation. In the future, e-invoices could become the basis of VAT returns.

Despite the shift to digital invoices, the entity activation process in Italy remains highly manual, usually taking between 30 and 90 days. During the incorporation phase of new Italian companies, a notary needs to be involved, requiring in person company proxy holders. Also, incorporation documents must be notarised abroad, in person, and electronic signatures are not accepted. A large backlog caused by Covid-19 increased timeframes due to access restrictions at the Revenue Agency and Trade Register public offices.

After incorporation, additional complications arise from the rules around resolutions having to be passed by boards of directors and shareholders, which usually only take place twice a year.

The process of opening a bank account in Italy is also complex. Italy has aligned with the EU directive's anti-money laundering (AML) laws, but Italian regulators are applying additional restrictions to identify UBOs. This leads to additional documentation requirements, some of which must occur in person.

Alongside EU AML and UBO register alignment, Italy follows common accounting standards. Like Luxembourg, Italy's accounting standard is Local GAAP, but this has gradually become more aligned with IFRS principles.

Italy has a highly regulated labour market which can cause complications for businesses due to inflexibility. Any settlement or termination agreements with employees must be carried out in front of the labour office or trade unions. Additionally, labour law regulations frequently change along with governments, although Prime Minister Draghi looks set to lead a (rare) stable period of government ahead.



↓ 9 Bolivia

2021 (8)
2020 (4)

Local requirements are a key reason for Bolivia's top 10 position, such as the need for a Bolivian national or locally resident legal representative, and foreign workers must not exceed 15% of a company's total employees. Furthermore, the accounting system needs to be in Spanish and the local currency, managed by a certified accountant within Bolivian territory. These factors drive complexity for foreign businesses that are used to a more globalised approach.

The onus on paper filings also makes things more complicated. Companies have a legal obligation to keep paper records of activity for three to eight years, depending on the government entity that supervises it. This ranges from its constitution and meeting minutes to accounting records. Despite this 'old fashioned' approach the jurisdiction is gradually becoming more digitalised with declarations of management taxes, pension funds and salary now being conducted via web portals.

Bolivia is progressive when it comes to sustainability legislation. For instance, at the beginning of commercial activity every company must obtain an environmental licence to be able to operate and stay valid, with commitments depending on their line of activity. This is attractive to businesses and investors seeking to operate in a more sustainable manner. However, failure to comply with this licence can be subject to fines.

Although businesses can face complexity in Bolivia, it is still an attractive jurisdiction thanks to its wealth of natural resources. With a commitment to sustainable practices, there is hope that this attractiveness will continue and complexity reduce.



The digital declaration through web portals of management taxes, declarations before the Pension Fund Administrators (AFPs) and salary lists for the Ministry of Labour do help to make things simpler for businesses in Bolivia.

TMF Bolivia expert

↔ 10 Poland

2021 (10)
2020 (34)

Over the past year the Polish government introduced multiple pieces of legislation that were passed in a short timeframe and accompanied with little public guidance. The main change was the introduction of the 'Polish Deal', which was significant as it overhauled taxation system. It did not just change tax laws impacting corporations, entrepreneurs and employees, but also the way that salaries are calculated. With a lack of guidance from the authorities, this has caused salary calculation problems for companies.

Labour laws in Poland were already complex and the Polish Deal implementation in January 2022 led to the resignation of several government officials and two amendments to this new law with more to come later this year.

Before the Russian invasion of Ukraine, Poland was witnessing a hesitancy of foreign business activity. For example, the Polish government and judicial system challenged some principles of EU legislation, resulting in some funding being put on hold. Although Poland wants and needs foreign investment, the Polish government has prioritised state investment.



The Polish government needs foreign investment, but would like to ensure that the dominant position remains with the state. We already have the Polish real estate holding. There are plans to create further state-supported groups to control assets and achieve greater independence from foreign businesses, such as hotel holdings or a national group of Polish food producers, which can make the Polish market difficult for others to operate in. However, the geopolitical situation in the CEE region changed dramatically and might result in Poland strengthening its ties with the western European and US economies.

TMF Poland expert

ACCOUNTING AND TAX

DIGITALISATION

STRICTER GOVERNANCE

GLOBAL ALIGNMENT



Increased global alignment of accountancy and tax principles

A key factor that drives simplicity is the gradual global alignment of principles in the accountancy and tax worlds. In the long term, this has considerable benefits for international businesses as they have the advantage of being able to operate in a uniform manner across different jurisdictions and regions, which brings operational efficiencies. However, local nuances over how principles are applied can make a huge difference to complexity in any one jurisdiction.

The adjustment period following the adoption of new standards results in varying degrees of confusion and uncertainty. This can bring short-term complexity for businesses, as they adjust to meeting new globally mandated regulations and practices in certain jurisdictions, while in some locations the way in which general principles are adopted may be localised, meaning the changes affecting businesses can have a long-term effect.

The most significant upcoming move to standardise accounting and tax operations is the introduction of a minimum global corporation tax. Due to be introduced in 2023, the tax rate will be set at 15%. Its introduction is expected to be via a stepped approach, impacting large companies first and then medium sized. At this stage, it is still unclear how this will eventually be rolled out to smaller organisations. It is still too early to say whether some countries may choose to apply the changes to all corporate taxpayers, large and small, though they may be governed by OECD rules.

The complexity caused by the introduction of this minimum global corporation tax rate will have the highest impact on jurisdictions that currently boast a particularly low or non-existent corporate income tax, such as the UAE. The significant tax advantages of setting up and operating in this jurisdiction have been the primary driver when it comes to attracting foreign businesses, so a global corporation tax regime would reduce the jurisdiction's attractiveness. The UAE government has announced that it will introduce corporate income tax for the first time next year. This will be set at 10%, edging the UAE towards the forthcoming minimum global rate.

Tax rates for foreign multinationals and domestic companies

Capital gains tax

2022*



2021



2020



Withholding tax



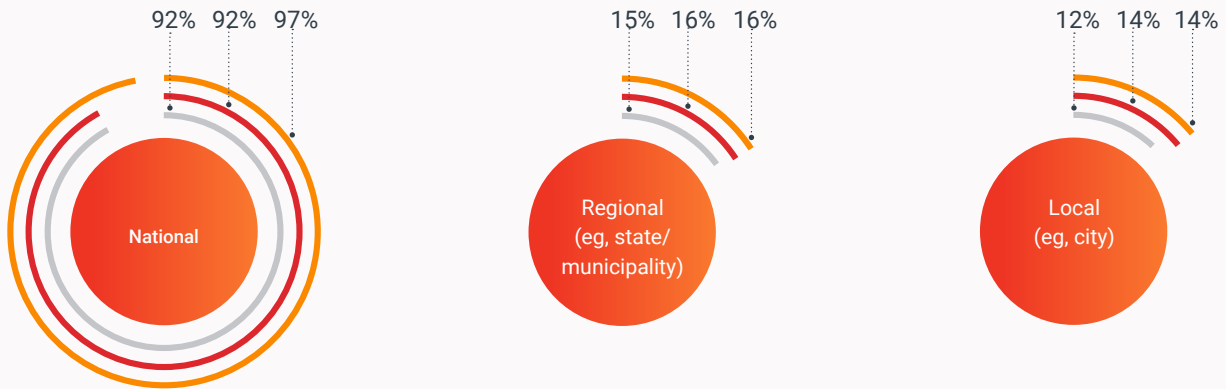
- Multinationals pay a different tax rate depending on their country of origin
- All multinationals pay a different tax rate to domestic companies
- Tax rates are identical for foreign companies and domestic companies

* Total is not 100 because individual percentages are rounded to the nearest whole number.

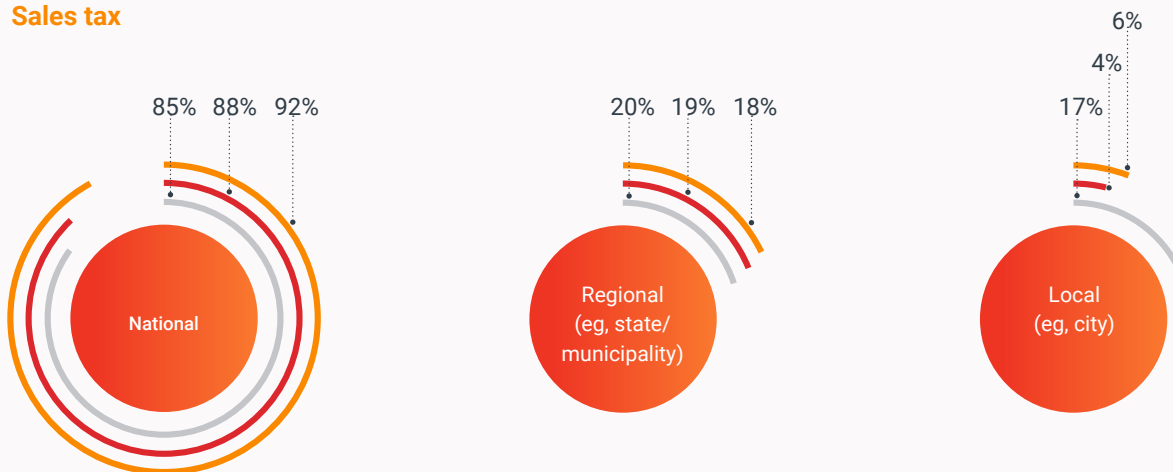
Levels of government at which different tax is levied

■ 2020 ■ 2021 ■ 2022

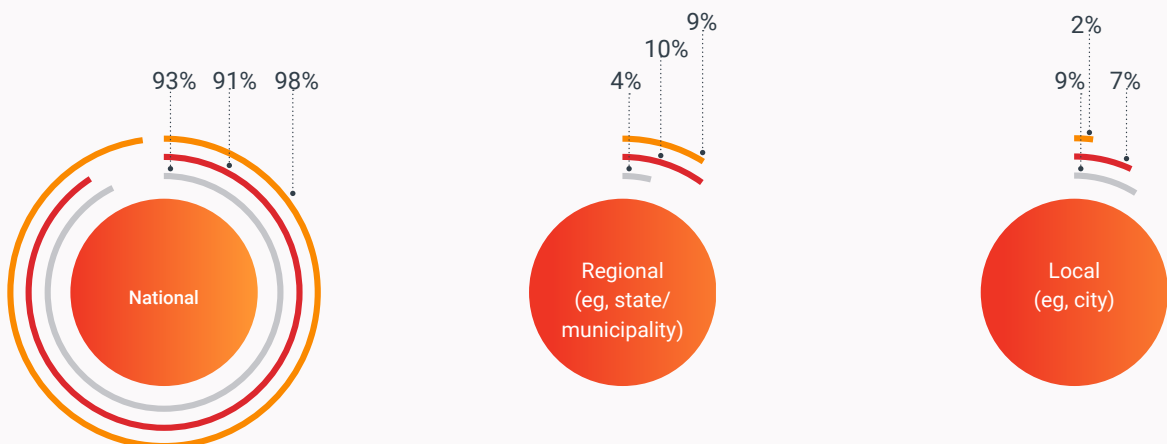
Corporation/income tax



Sales tax

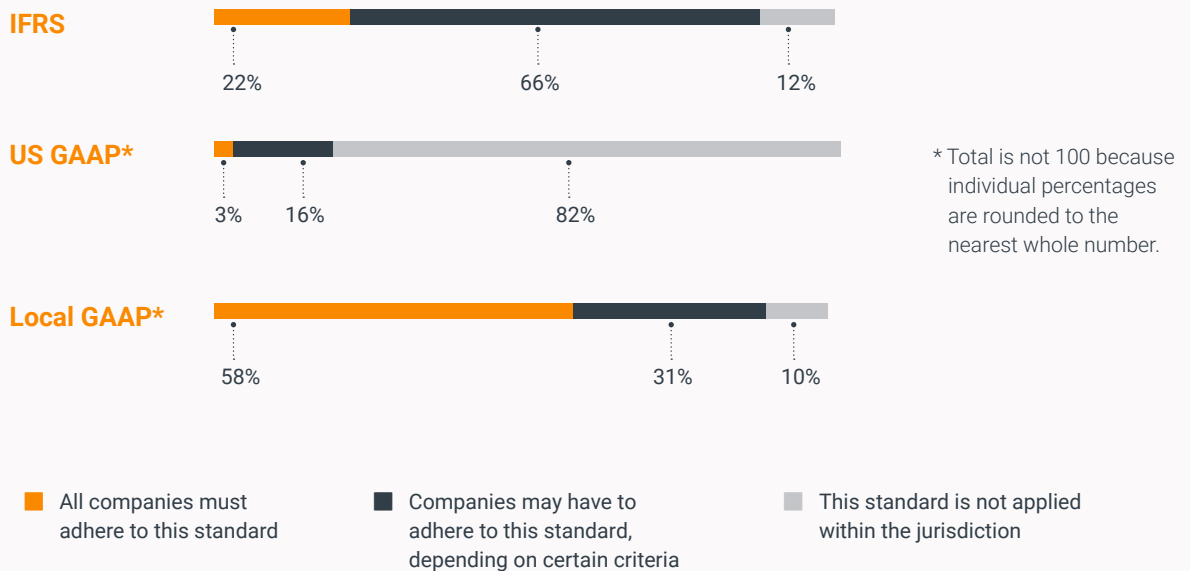


National insurance contributions





Accounting standards applied



Standardisation can be observed at a jurisdictional level as well as globally. For instance, there is more alignment now between domestic and multinational businesses when it comes to paying capital gains and withholding tax.

Vietnam is following a similar trend after introducing social insurance contributions for expatriate employees on the 1 January 2022. This means that foreign workers and their employers will now be subject to the same social insurance requirements as domestic workers. While in the long term, such moves toward standardisation will make processes simpler through uniformity, in the short term, companies in Vietnam may face complexity as they adjust internal systems and processes to accommodate changes to social insurance contributions.

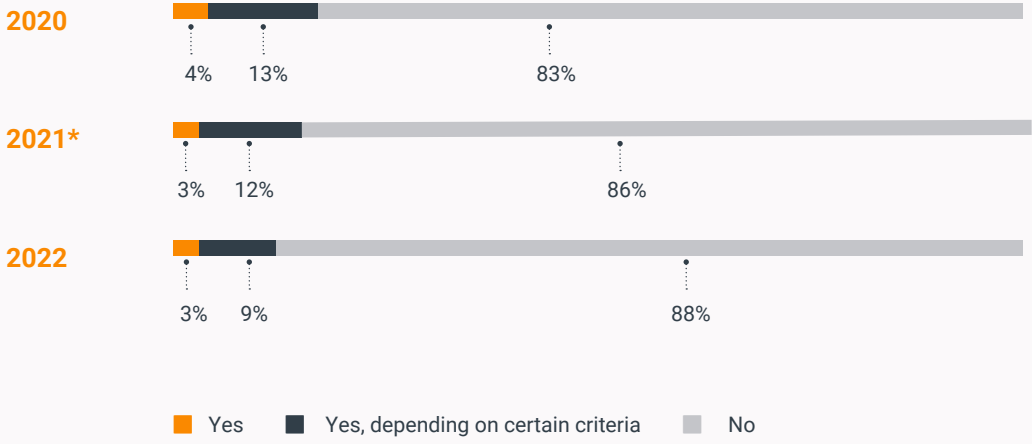
We see another shift towards standardisation when looking at the levels of government at which certain types of tax are levied. There has been a gradual shift to a more nationalised approach which, in turn, drives simplicity for businesses.

Despite this move towards a more standardised approach globally to paying tax at a jurisdictional level, countries such as the US, Brazil, and Colombia still levy tax at multiple levels, including by state. In Brazil, not only is there tax variation between different states and municipalities an organisation operates in, but also between business sectors. Brazil is also the jurisdiction that makes the highest number of changes to tax rates each year – a major factor in its position at the top of this year's GBCI ranking.

Another factor is a focus on greater alignment with international standards such as IFRS. In recent years there has been a global trend to better align with IFRS and international practice. Overall, this is viewed as a beneficial move for businesses as it serves to make local accounting practices easier to understand.

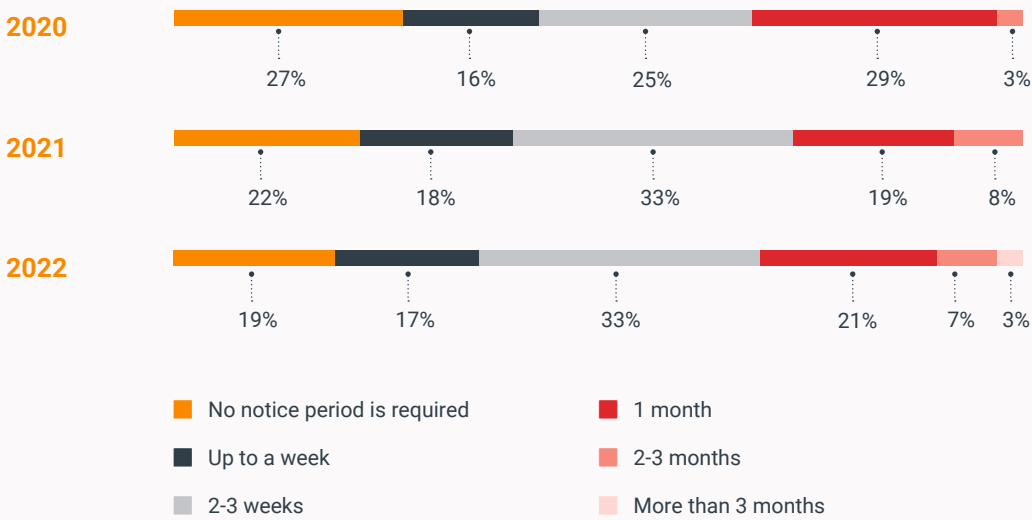
Local GAAP is still the most commonly applied accounting standard. However, local doesn't necessarily mean localised, as we see in cases such as Italy. Since 2015, the Italian government has made a concerted effort to align with IFRS, despite having local GAAP in place. Therefore, even with certain local standards and practices remaining in place, an international approach to accounting and tax and global standardisation is still very much on the rise.

Ability to do business without being registered with any relevant tax authorities

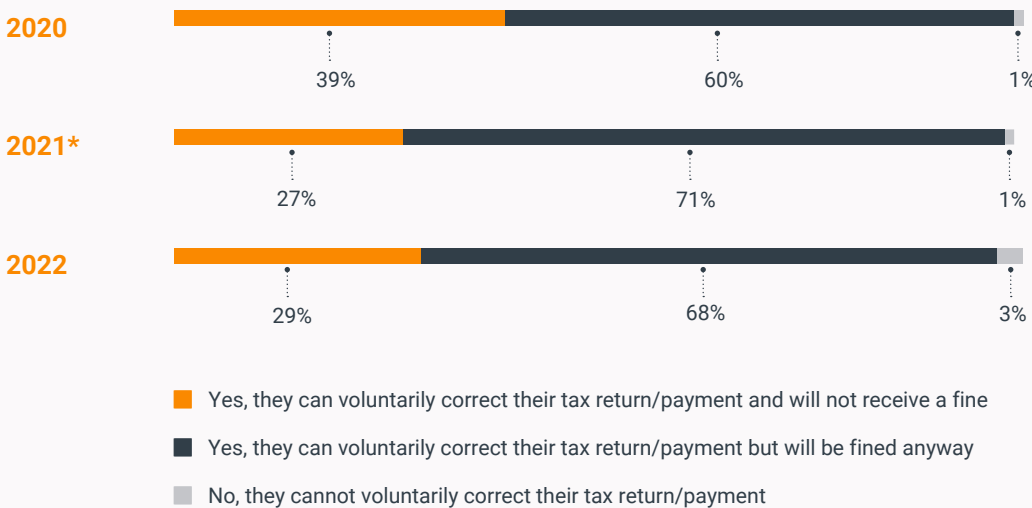


* Total is not 100 because individual percentages are rounded to the nearest whole number.

Notice period given to companies before a tax audit



Ability to voluntarily correct tax areas and avoid being fined



* Total is not 100 because individual percentages are rounded to the nearest whole number.



Governments stricter but also more supportive

Globally, governments are becoming stricter each year when enforcing tax rules and regulations. Authorities have focused on developing tax audit plans to identify tax risks in the economy and are focusing on auditing companies that operate in those areas.

Since 2020, the number of jurisdictions that allow businesses to operate without being registered with tax authorities, either regardless of criteria or depending on certain criteria, has gradually decreased. Only 3% of jurisdictions now permit this, including the UAE and US, demonstrating a move towards a stricter approach to doing business.

Along with this move towards stricter tax governance, tax authorities are becoming more inclined to spend time with taxpayers to help them understand tax regulations. This is particularly the case in Europe, where tax authorities are running programmes for companies, aiming to help taxpayers with their understanding of tax regulations so that they remain compliant.

This move towards being more supportive is a driver of simplicity, owing to the improved direct communication and collaboration with tax authorities. This aids companies by reducing the time and money that they could potentially end up spending on preventing or dealing with tax controversies.

Another example of this move towards being more supportive or lenient, is that more notice is generally being given to businesses before a tax audit takes place. In 2020, 27% of jurisdictions reported that no notice was needed before a tax audit, a figure which has dropped to 19% in 2022. Giving more notice allows businesses to better prepare, so they are less likely to encounter issues during an audit.

However, the percentage of jurisdictions that allow companies to voluntarily correct their tax returns or payments without receiving a fine has decreased since 2020. In 2022, it is still the case that most organisations will receive a fine even after voluntarily correcting their tax return.



Globally governments are becoming stricter each year when enforcing tax rules and regulations



Authorities have worked on developing tax audit plans to identify tax risks in the economy and are focusing on auditing companies that operate in those areas



Tax authorities are becoming more inclined to help and spend time with the taxpayers to help them understand the tax regulations



The percentage of jurisdictions that allow companies to voluntarily correct their tax returns or payments without receiving a fine has decreased since 2020

Digital approach to accounting and tax still on the rise

As well as the trends and developments above, the move towards digital solutions and reporting has continued. This has been spurred on by Covid-19, which limited the ability for face-to-face interaction and encouraged greater dependency on technology.

One example of this move towards digitalisation is in Poland, where electronic invoicing has been introduced. While this is optional for now, it will become compulsory in 2023. New digital reporting requirements can create challenges for organisations as they work to update existing processes or adopt new ones. Dataflows need to be redesigned and the impact on technology needs to be assessed and understood. Digital reporting and detailed transactional reporting require a certain level of technological enablement and so adequate investment and support is needed.

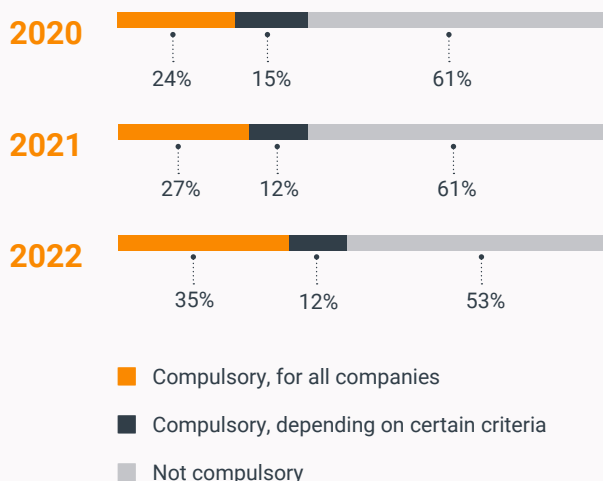
Another trend involves jurisdictions beginning to exploit big data and artificial intelligence to conduct more data matching. With this, it becomes simpler to identify contradictions in tax data and address these through an audit. This can reduce complexity for governments themselves but can create additional burdens for organisations tasked with satisfying higher levels of scrutiny.

Globally, the compulsory uploading of tax invoices electronically via the authority's system or portal is increasing. In 2020, it was compulsory in only 24% of jurisdictions for all companies to do this, but the figure has now risen to 35%. Serbia, for example, will begin transitioning to e-invoicing this year.

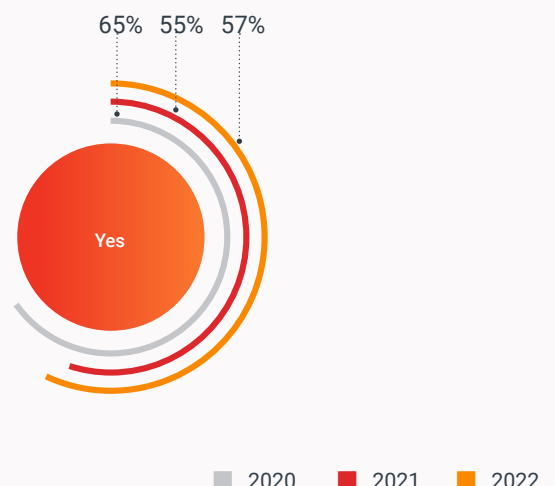
When we look at the mandatory electronic submission of taxes, overall it has remained on a par or is lower than in 2020. For example, the mandatory electronic submission of capital gains tax is less widespread in 2022 than it was in previous years. Conversely, national insurance contributions must be submitted electronically in more jurisdictions in 2022 than in 2020.

Our analysis has found that customising accounting software is difficult in more jurisdictions in 2022 than before Covid-19. In 2020, 65% of TMF Group experts globally agreed that it was easy to customise accounting software as per local accounting requirements, but this figure has dropped to 57% in 2022. In jurisdictions such as Greece and France businesses can face difficulty adapting their accounting software to local ways of working.

Mandatory to upload tax invoices on a tax authority's system/portal

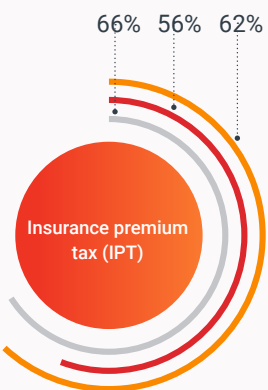
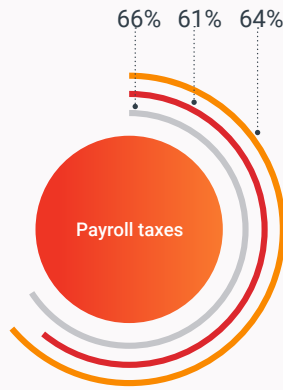
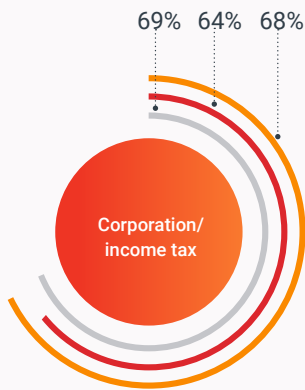


Is it easy to customise accounting software to meet local accounting requirements?



Taxes where electronic submission is mandatory

2020 2021 2022



GLOBAL ENTITY MANAGEMENT



COMPLIANCE

DISSOLUTION PROCESS

INCORPORATION

PERSONAL LIABILITY

COVID-19 DISRUPTION

In our entity management section, we will take a chronological look at the challenges companies face when setting up a legal entity, operating within, and withdrawing from a foreign jurisdiction.

Currently the major drivers of increased complexity include the introduction of new legislation (principally focused on regulation), enhanced reporting requirements and increasing levels of stringency, such as the tightening of deadlines. We will also consider how Covid-19 has impacted the practice, looking at examples where the pandemic has halted incorporation, alongside jurisdictions which have rapidly adapted through digitalisation and streamlined operating processes.

When Covid-19 first hit we saw an initial freeze on business expansion and a slowdown in the establishment of new entities. When businesses were ready to resume their expansion plans, they generally found that the process of incorporating took a lot longer. The pandemic has also had a negative impact on interest in new entity arrangements, as many want to see the dust settle on the 'new normal' before committing to decisions.

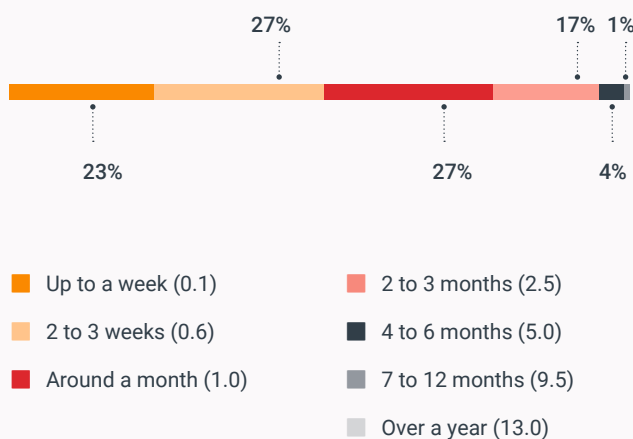
Incorporation takes around a month on average

Today, at a global level, it takes on average around a month for a private company to be incorporated. Regionally, incorporation times are longest in South American jurisdictions. For example, in Venezuela, Guatemala, and the Dominican Republic, it typically takes more than three months to incorporate a private company. In EMEA, the process is much faster, taking less than a month on average.

Opening a bank account from abroad can delay operational readiness

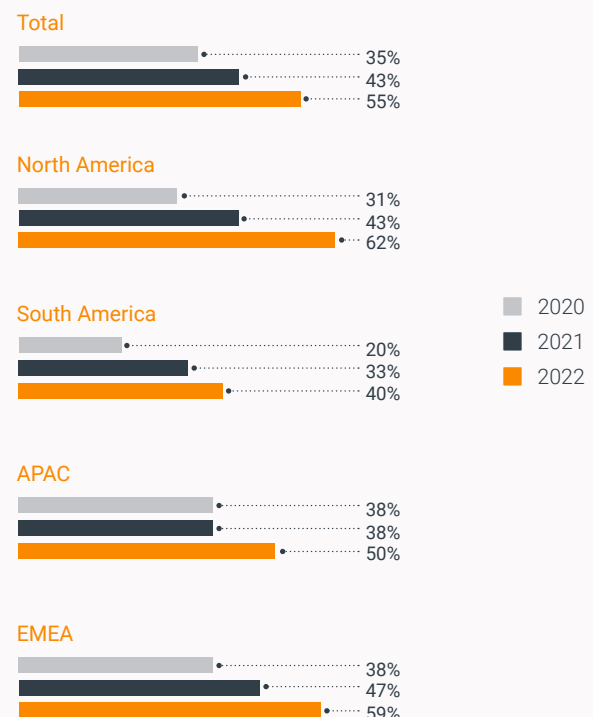
For foreign companies, the procedure of opening a bank account can add significant delays to operational readiness. This can take longer in countries aligned with the EU anti-money laundering directives, as the stringent regulations require additional documentation which can take time to gather and verify. In countries like Italy some of this documentation must be presented in person, and the backlog caused by the pandemic means appointment lead times are at an all-time high.

Overall length of time taken to incorporate a private company, 2022



* Total is not 100 because individual percentages are rounded to the nearest whole number.

Percentage of jurisdictions where it takes more than a month on average to open a bank account from abroad



The average time taken to open a bank account from abroad is increasing. In 2020, this process took over a month in just 35% of jurisdictions. This rose to 43% in 2021, and now stands at 55%. Waiting over a month to open a business bank account adds a significant delay to starting operations.

Regionally, opening a bank account from abroad takes significantly longer in North America and EMEA, while it's still quickest in South America, despite a doubling in the percentage of jurisdictions where this takes more than a month, from 2020 to 2022.

New compliance requirements make ongoing operations more challenging

There has been a steady increase in new compliance-related legislation, making ongoing operations more challenging. In OECD countries, transparency requirements continue to increase, with layers of anti-corruption or anti-tax evasion legislation. Governing bodies are also becoming more rigorous around how quickly businesses must file documentation, or the depth of information that must be provided.

Stricter requirements include the need for qualified individuals to prepare corporate changes or statutory submissions to local authorities, on behalf of the legal entity. This was required in 37% of jurisdictions in 2020,

rising to 45% in 2021, and 48% in 2022. In BVI, for example, companies are required to appoint a registered agent to handle legalities. With this increased stringency comes higher accountability, with the use of qualified individuals meaning authorities can impose fines or other punishments if submissions are then deemed to be incorrect or incomplete.

Personal liability of directors is on the rise

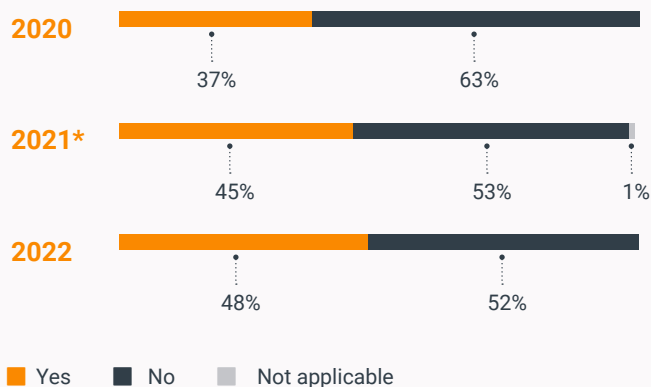
Directors of private companies are also being held increasingly liable. Over the last three years, personal liability has steadily increased from 86% of jurisdictions in 2020, to 88% in 2021, and 92% this year.

Yet India has taken an alternative approach, waiving personal director liability. It takes the view that removing these punishments will promote higher transparency.

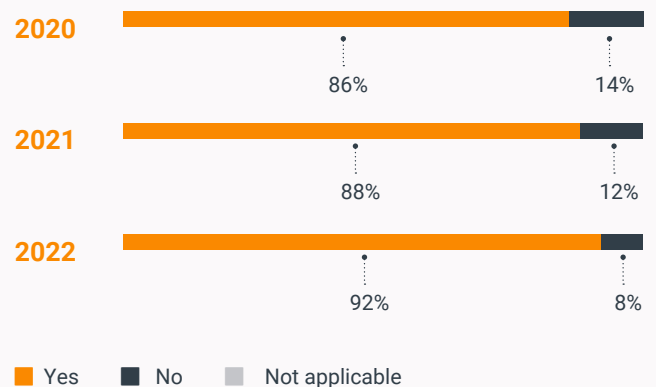
Approach to Covid-19 polarises jurisdictions

Covid-19 has been hugely disruptive to global entity management processes since early 2020, and jurisdictions have tended to go in one of two directions. On the one hand, some have moved to a more digitalised and streamlined delivery model. Some old-fashioned practices may have been removed, replaced, or relaxed. In Canada, for example, requirements have been relaxed

Qualification required to prepare corporate changes or statutory submissions on behalf of the legal entity to local authorities



Jurisdictions where directors of private companies can be held personally liable for legal obligations and/or contractual commitments of their company



* Total is not 100 because individual percentages are rounded to the nearest whole number.

around formalities such as wet signatures on legal documents, either because people were in lockdown or don't have access to printers at home. In favour, we have seen the growing acceptance of documents being transmitted electronically. So, in effect, the pandemic has caused some processes to take less time, having been simplified through the power of accelerated digitalisation.

On the other hand, some jurisdictions aren't as well set up to lean on digital processes, and/or are less open to making this shift. As such, processes have been significantly delayed as physical offices were closed for periods of time or were operating with a reduced workforce. For example, in Mexico, the timeframes for appointments with registrars increased exponentially during the height of the pandemic. Those jurisdictions that fall into this camp are still suffering the ongoing effects of delays.

The legal world is one of the last bastions to hold out on of embracing digitalisation, being very attached to paper, wet signatures, chops and seals. It is likely that the pandemic will serve to highlight to governments and legal bodies that business continued to be carried out without these formal requirements. Digital practices brought about through necessity during the pandemic are likely to be here to stay, as they continue to make processes easier.

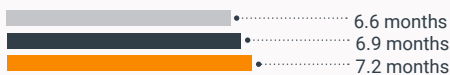
Dissolution processes are also taking longer

The time taken for the dissolution of a company has continued to increase, taking more than seven months on average in 2022, having increased year on year since 2020. Breaking this down by region, average dissolution times are longest in South America (9.3 months) and APAC (8.8 months), while the process takes just over six months in North America and EMEA.

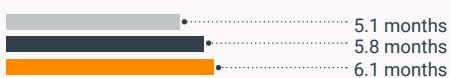
In summary, the pandemic brought new incorporations to a halt in many jurisdictions. When businesses were ready to resume expansion, the process of entity establishment and opening bank accounts generally took much longer. While some jurisdictions faced a huge backlog and reduced capacity at the relevant authorities, others embraced the process of digitalisation and, as such, now have a new competitive advantage. Alongside this polarisation, we have seen other factors at play, including new regulations and the increased stringency of requirements. The pandemic is not yet over, and we will continue to see the incorporation and operational landscape evolve over the coming years.

Average dissolution times overall and by region

Total



North America



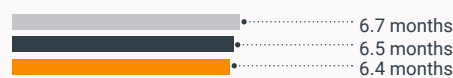
South America



APAC



EMEA



■ 2020 ■ 2021 ■ 2022

PAYROLL AND HUMAN RESOURCES



Covid-19 continues to be a driver of change, and policies persist in many jurisdictions relating to benefits and ways of working, depending on the impact on individual industries and employees.

Benefits

Paid time off and minimum wage remain the top two legally mandated benefits globally, followed by paid maternity leave and paid sick days. Over the last three years, there has been a steady increase in the legal requirement for compassionate leave, childcare assistance, and housing/social care contributions, driven primarily by changing requirements in South American and EMEA jurisdictions. It's therefore unsurprising that among the ten most complex jurisdictions for payroll and human resources, six are in the EMEA region and two are in South America. Overall, there is a trend of companies being increasingly employee driven, which is perhaps

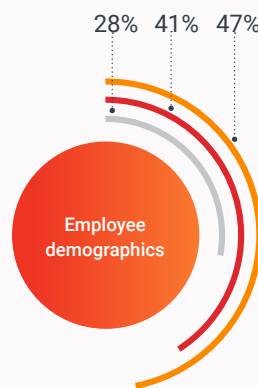
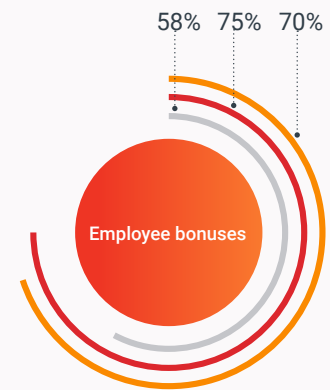
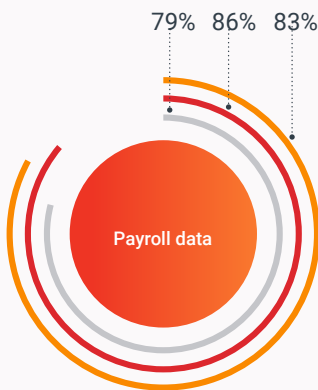
linked to greater emphasis being placed on social responsibility (see the ESG section earlier in this report).

The requirement for companies to submit reports on employees remains mandatory for most jurisdictions. As we've seen, reporting on equalities (eg gender pay gap or employees with disabilities) and employee demographics have increased compared to previous years. Details on foreign national employees are increasingly required to be submitted by all organisations, from 54% of jurisdictions in 2020, to 68% in 2021 and 73% in 2022.

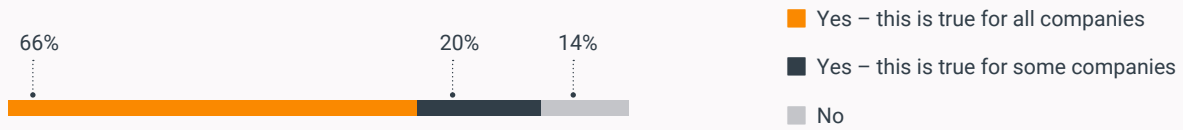
Equalities reporting has seen the biggest jump year on year, with respondents in 26% of jurisdictions confirming that reports are required by their government authorities, versus 8% of jurisdictions in 2021. This increase is evident across all regions, with jurisdictions of note including Brazil, Argentina, Malaysia, Turkey, Slovakia, Vietnam, Slovenia, Guatemala, South Africa, Thailand, Chile and the Dominican Republic.

Reports on employees required to provide to government authorities (all organisations)

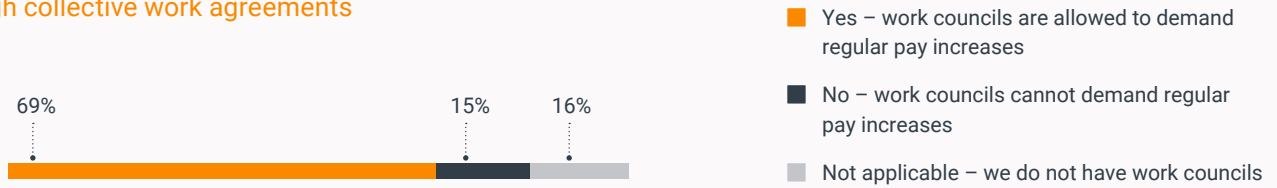
■ 2020 ■ 2021 ■ 2022



Companies legally required to allow employees to be members of labour unions or work councils



Work councils can demand regular pay increases through collective work agreements



Additionally, this year’s research found that employee rights channelled through work councils and labour unions are common in jurisdictions, with 66% of all companies globally legally allowing employees to be members of labour unions or work councils. This is led by South America, where this is true for all companies in all jurisdictions. In 69% of jurisdictions globally, work councils are allowed to demand regular pay increases for employees, with this being led by EMEA (76%) and South America (70%).

Impacts of global mobility

“The global mobility of the workforce will generate a need for more sophisticated payroll and HR services.”
– *TMF Romania expert*

Covid-19 has had a significant impact on payroll and human resources, with many of those who were mandated to work from home continuing to work remotely at least some of the time. With remote working, employees have had the opportunity to move away from the city, or even country, of their workplace, accelerating the global mobility trend.

Before the pandemic, global mobility was primarily a company-driven initiative, where employees were moved to a certain location in order to do a specific job; the balance has now shifted towards employee-driven

mobility. While this flexibility is broadly perceived as being beneficial for employees, for employers it can be a source of complexity as there may be additional HR and payroll obligations or considerations.

“From a payroll perspective, you’ve got to consider residencies and taxes. Global mobility is increasingly a topic that companies need to address, and it isn’t simple. They will need to make sure they’ve got in-house global mobility advisors, or that they’re working with multiple vendors. They will need to keep track of visas as part of that service as well.” – *TMF Group payroll and human resources expert*

Our expert in Hong Kong pointed to the rise of global mobility, not just within the workforce, but also among supply chains:

“We will likely see increased global mobility, as businesses seek to diversify both their markets and supply chains. Following the initial China-US trade disruption, and along with the ongoing impact from Covid-19, many companies will investigate and devise strategies to combat future disruption to their operations, and this will likely lead to engaging additional suppliers and vendors, as well as establishing manufacturing bases across a larger number of countries. International companies will need to grapple with the nuances of hiring, maintaining and in some instances laying off staff in a greater number of jurisdictions.”



What does the future of payroll and human resources look like?

On the payroll side, digitalisation is playing a significant role, which has only been accelerated by the pandemic. For example, electronic payslips are becoming the norm in most regions, although some jurisdictions in South America are behind on this trend. Another, perhaps more novel, example is the introduction of chatbots to enable employees to get answers to HR queries, reducing the need to talk directly to HR professionals.

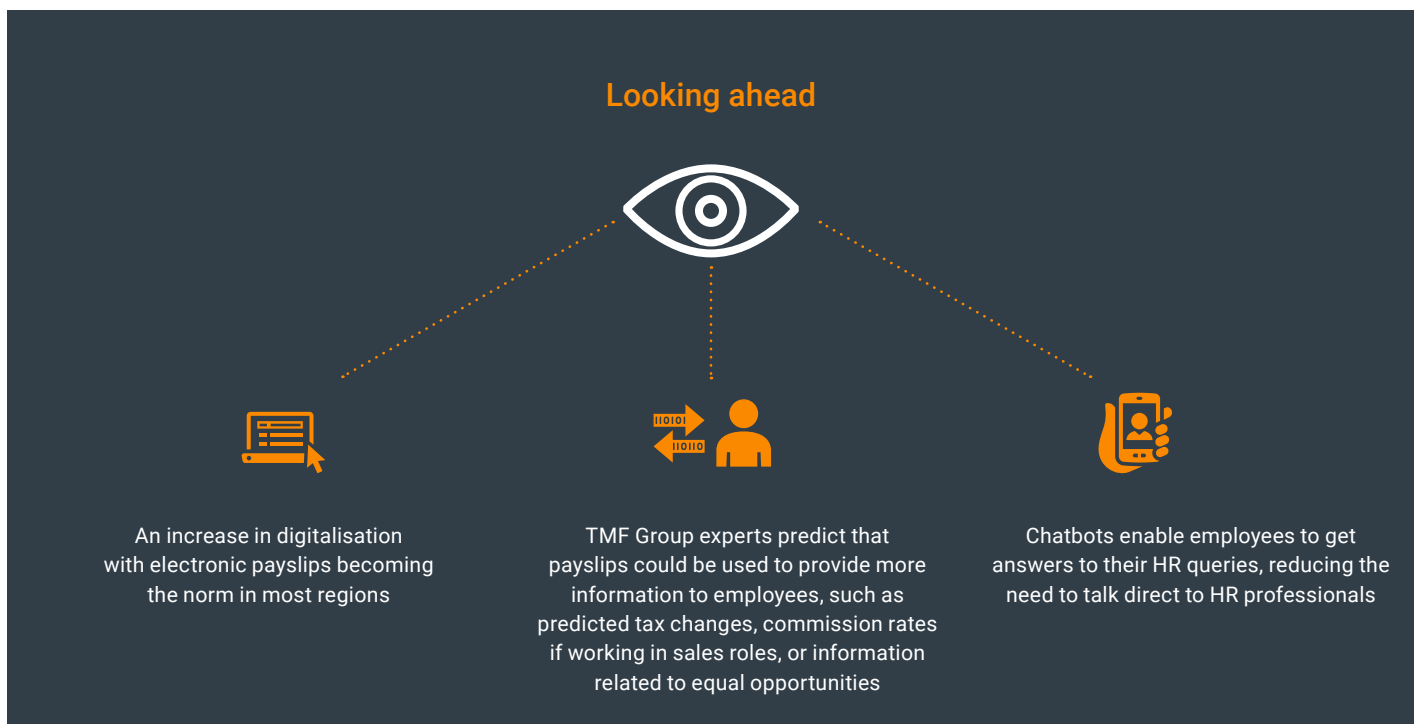
“There tends to be a lot more electronic filing that goes on in APAC. Europe and North America are probably joint second. South America is an area that is wrought with complexity and a lot of manual processes. And it's the area where you still have to produce physical, hard copy payslips for employees as well.” – *TMF Group payroll and human resources*

Although digitalisation can simplify processes, such as accessing information, organisations are now increasingly leveraging data with payroll providers and demanding more information than ever before. Examples of this data include equalities reporting (eg gender pay gap and disabilities). Although reporting this information is often non-statutory, some jurisdictions are encouraging the disclosure of pay differences of board-level employees and the lowest-paid employees, providing an additional reporting burden for those in charge of payroll.

“There's going to be more statutory reporting, people want more information and more data. I think any organisation these days, whether you're in business, in healthcare – a teacher – value data more, so the demand for data and analytics will be greater each year.” – *TMF Group payroll and human resources expert*

With increased digitalisation in payroll and the requirement for further data and analytics on employees, this leads to the question of what data and information can we provide? The traditional payslip, while necessary for employees to see their level of pay and taxes, is a legal requirement for companies' reporting. However, TMF Group experts predict that payslips could be used to provide more information to employees, such as predicted tax changes, commission rates if working in sales roles, or information related to equal opportunities.

In future, not only could there be an assessment of what data we provide to employees, but also a potential move towards demand payroll. It is commonplace that employees are paid monthly, but employees could be offered the opportunity of more flexibility in how they are paid by drawing down part of their salary. Flexible payroll is already quite prominent in the US, but it is unlikely to happen in the short term on a global scale.



TEN LEAST COMPLEX JURISDICTIONS



↓ 68 United Kingdom (UK)

2021 (53)
2020 (44)

The UK has ranked in the ten least complex countries for the first time. One of the key areas is the country's exit from the European Union (EU), or 'Brexit'. Although at the time this created uncertainty for businesses incorporating and operating in the UK, in 2022 it seems that the dust is settling and the impacts of the UK's departure are becoming clearer.

Since Brexit, the UK government has been actively working to become more relaxed and straightforward in its approach to business in order to remain attractive. For example, the UK takes a simple approach to business incorporation. There is no requirement for resident directors and set up can be achieved in as little as a day, meaning that international businesses can start full operations with ease. One aspect that can delay operation is setting up a bank account. This is driven by banks and financial institutions themselves and can create complexity for startups from other jurisdictions, such as the US.

Following Covid-19 and Brexit, the UK has been experiencing an inflation crisis and issues related to supply chains which has impacted business operation.

Furthermore, recent events in Russia and Ukraine have created some uncertainty in the UK. The Government has been imposing new legislation and sanctions to impact Russia and support Ukraine. For example, the Economic Crime Bill, announced in February 2022, mandates the disclosure of foreign property ownership and aims to reduce the hiding of Russian money and assets in the jurisdiction.

The UK is set to remain attractive in the future as the Government looks for more ways to compete with its European neighbours following Brexit. One advantage to operating in the jurisdiction is a highly skilled talent base that is accustomed to working internationally and for foreign businesses.



The UK government has signalled that it is going to relax regulations, it is going to take away some of the onerous EU rules. What the method is and how we stay in the market again causes some uncertainty, but I think businesses can probably look forward to things getting a bit easier.

TMF UK expert

↓ 69 Norway

2021 (51)
2020 (55)

Norway benefits from a high level of digitalisation and automation. This includes anything from filing reports to completing tax returns, or registering a company.

Incorporating a company within Norway is relatively quick, typically taking a few days. For Norwegian citizens or residents, the entire process can be done online, but foreign parties don't have the same upfront digital access. What can take the most time for foreign nationals is paying in share capital, which requires the opening of a bank account. The process of opening a bank account is not automated and as such, has a longer lead time, sometimes taking up to two months. This is mainly due to the internal KYC (Know Your Customer) and AML (Anti-Money Laundering) processes of banks being quite fragmented and involving a lot of back-and-forth correspondence.

Looking at Norway in contrast to other Nordic countries, in Finland an entity can be established without paying in share capital. This means that a bank account isn't required and doesn't pose an upfront obstacle.

Within the Nordic environment, agreements exist which allow quick cross-border operations between local businesses, via a Norwegian ID. However, outside of this environment it becomes a little more challenging for non-local parties.

Like most other European countries, Norway is due to implement an Ultimate Beneficial Owner (UBO) register, expected in 2022 or 2023, making it one of the last countries to do so. This extra formality will add a small administrative complexity to companies operating in Norway, as they must annually file the UBO or controlling person.

Larger corporations and those in the financial sector will soon have to comply with ESG reporting. This will initially be a large change for companies as they must report the environmental impact of their assets.

During the height of the pandemic, the Norwegian Government put incentive plans in place to support the parts of society most affected. There was also a leniency regarding reporting, whether it was annual statements, tax reporting or pre-payment of taxes. All these measures have either already been reversed or soon will be. However, important changes predicted to outlive the pandemic are flexible working arrangements and the use of technology.



I'm not sure that all the companies are really aware of ESG reporting yet, and how to manage it. Years one and two are a big change for many companies."

TMF Norway expert

↓ 70 New Zealand

2021 (67)
2020 (59)

New Zealand is a new entry in the ten simplest jurisdictions, but is often widely praised for its simplicity and attractiveness for foreign businesses. A key driver is a straightforward incorporation process, facilitated by a slick online set up. New Zealand doesn't mandate face-to-face requirements and the jurisdiction 'went online' seven years ago. Now more than 95% of tasks for businesses can be done online. The jurisdiction is also internally digitally aligned, meaning that one access code can be used across different systems such as ID matters and Pay As You Earn (PAYE) online.

Another driver of simplicity in the jurisdiction is the stability of its laws and legislation. In the accounting and tax space, there have been no big increases or significant changes year on year, so businesses are better prepared than in other jurisdictions where governments are more in flux when it comes to lawmaking.

Covid-19 did bring big changes in New Zealand and the Government's progressive stance was globally praised. This included generous business support to aid organisations and individuals. Although this did ease the jurisdiction's experience of and emergence from the pandemic, it is now contributing to inflation as more money has been brought into the economy.

Transparency is another area where the government has been progressive, further driving a supportive business culture. In 2018, AML legislation was introduced for all companies. This, along with KYC legislation, can cause some complexity when opening a bank account with certain resident director requirements to satisfy. As observed elsewhere in the GBCI, although the process of incorporation is straightforward opening a bank account can stall entity activation.

While such transparency can create complexity, it does drive attractiveness by offering businesses certainty. It also reflects the supportive approach of the New Zealand Government, which drives simplicity in the jurisdiction and looks set to continue to do so in future.



New Zealand has always been seen as very simple when it comes to doing business. The reason for this is that the incorporation process and compliance are relatively straightforward. In terms of the requirements of appointing a director, they are relatively less complex compared to other jurisdictions. Most of the things you need to do, you could do online.

TMF New Zealand expert

↔ 71 United States (US)

2021 (71)
2020 (76)

Given its progressive approach to business and focus on driving simplicity, it's unsurprising to see the US maintaining its ranking among the simplest jurisdictions. A key driver of simplicity is that the government actively looks to make it corporate friendly. For instance, in recent years corporate tax rates were reduced in an effort to increase investment into the jurisdiction.

The state of Delaware serves as a key example of the US's progressive business stance. Revenue generated outside the state is tax-free, making it particularly popular and attractive for foreign business incorporation. During Covid-19, like the rest of the world, the US did witness some delays in the time it takes to incorporate a business and also in the processing of certain documentation, leading to a backlog in Delaware that is having an impact even now. Despite delays, the US boasts a quick online incorporation process that did help to ease complexity during the pandemic.

Operating across states in the US can add an administrative burden, with states having different tax rates, as we see in Delaware, so ensuring that such tax rates are honoured across state borders is a necessary aspect of business operation. This can also create additional administration when setting up as there can be a need to incorporate in multiple states when nexus is established. However, this is not typically complex so when properly administered, foreign businesses can avoid issues.

Thanks to its skilled workforce and global reach, the US is set to remain one of the most attractive jurisdictions for foreign businesses. However, with recent developments in the jurisdiction related to the Russia-Ukraine crisis and inflation issues following the pandemic, it will be interesting to see how the business landscape changes.



I think that when you have investors looking to expand abroad, consistency and predictability from policymakers is one of the main factors under consideration. History has shown that the US has a business-friendly culture that embraces entrepreneurship. This is one of the pillars of this country and contributed to is becoming one of the wealthier countries.

TMF US expert



↓ 72 Jersey

2021 (45)
2020 (65)

Despite boasting only 100,000 residents, Jersey has considerable international reach and influence. The jurisdiction tends to be an early adopter, engaging with new and trending areas of doing business such as FinTech and ESG legislation.

A key reason for the jurisdiction's simplicity is the focus on digital processes during Covid-19. It's now easier to contact relevant regulatory bodies and government organisations, Companies can incorporate in as little as two hours and there was a move away from 'wet-ink' signatures during the pandemic, as well as improvements to due diligence requirements. Before the pandemic it was necessary to take a photocopy of a passport to a lawyer or accountant to certify the identity of owners and controller, which would then need to be mailed to Jersey. New technologies allow this to be performed remotely and digitally. The move towards digital marries with a focus on the technology industry, with more than 5,000 people employed in the digital sector.

Jersey has a well-established funds industry with great infrastructure in place. It makes up a significant, thriving part of the local financial services market - attaining a 20% growth in 2021. The popular 'Expert Fund' and 'Private Fund' regimes make it extremely easy to launch and run funds on the island.

Jersey has ESG disclosure rules in place and is a key jurisdiction in this space. Led by the Jersey Financial Services Commission, it's also forged by investors and businesses seeking a more sustainable and ethical manner of doing business.

Despite all this there are still some complexities. For example, travel to the islands can be time consuming, with direct flights limited. Furthermore, due to low direct taxation, indirect duty can make the cost of living quite expensive, with property prices matching those of central London.

With its move towards digitalisation and ESG, Jersey is set to remain one of the most simple and attractive jurisdictions globally.



The jurisdiction has weathered the last couple of years exceptionally well. Significant investment by government, the regulator and industry has seen Jersey's position on the global stage increase notably. It provides families, funds and corporates what they want: a safe, secure and responsive platform through which to invest and operate.

TMF Jersey expert

↓ 73 British Virgin Islands (BVI)

2021 (72)
2020 (73)

BVI is consistently one of the simplest jurisdictions in our index, steered by an ambition from government and legislative bodies to be attractive to foreign investors and businesses.

Two key aspects are the simplicity of incorporating a business and the lack of taxation. There is also an emphasis on transparency that means businesses and investors know that their money and assets will be safe and protected. Over the past ten years, the jurisdiction has focused on international alignment with bodies such as the OECD. This has, in some cases, created slightly more complexity as there are certain regulations and legislation that businesses and investors need to adhere to. However, the transparency and security has been perceived as worthwhile. Also, adherence to such standards is not hugely disruptive as these are commonplace in other jurisdictions globally.

With such transparency standards, issues can arise. Failure to meet economic substance requirements can result in hefty fines, so it's important to ensure that these requirements are taken seriously and acted upon.

Thanks to its lack of taxation and focus on transparency, while preserving privacy, BVI attracts private wealth, family office and fund investors as well as capital markets deals. It acts as a neutral domicile for a large number of businesses and individuals from most regions in the world that need an efficient set up for their companies in a well-structured legal framework. The jurisdiction rebounded strongly from the pandemic at the end of 2021, proving to be resilient and offering efficiency and flexibility in cross-border transactions and management of assets, while complying with global regulations.

BVI private wealth and family office clients from South America and elsewhere in the world now frequently look for ESG credentials, especially when it comes to operating in an environmentally and socially responsible manner. Although the BVI does not have specific ESG legislation there is the expectation that this may change.



In the BVI we have very solid legislation, which is updated regularly. We also have the Commercial High Court for the Caribbean. We have a very well-functioning international tax agency, and some people might think, 'Okay, but isn't that scary?'. It's not because it makes the country a very well-regulated jurisdiction to do business in.

TMF BVI expert

↑ 74 Hong Kong

2021 (76)
2020 (66)

Historically, Hong Kong as a part of China has operated a “one country, two systems” policy. However, China has taken more control from a legal and economic perspective over the past few years. The direct impact on foreign business enrolment may be limited for now, as they are adopting the ‘wait and see’ approach to what lies ahead. Despite this, Hong Kong remains a simple jurisdiction for foreign companies.

The Hong Kong government has set its sights on developing a leading funds industry, which has been running for 18-24 months. Hong Kong set up a new fund structure to replicate the Cayman fund structure and provide tax exemption for asset managers, meaning they will only need to provide one set of compliance reports to the authorities. This should help attract more asset managers to domicile their Cayman funds in Hong Kong.

Hong Kong policymakers have raised the bar and started to introduce environmental, social and governance (ESG) regulations, specifically for listed companies, whereby they must report their ESG status to the authorities.



I think ESG is a global trend and Hong Kong is responding to stakeholders' expectations by evolving and taking some solid steps.

TMF Hong Kong expert

↑ 75 Denmark

2021 (77)
2020 (74)

Denmark is in the top three simplest jurisdictions again in 2022, with digitalisation a key factor.

Towards the end of 2020 Denmark created a digital ‘one stop shop’, with paperless incorporation and operation. This means that businesses now only require one login and portal to access various services. The tax authority also updated its homepage interface to make it more user friendly. With Denmark positioning itself ahead of the curve when it comes to digitalisation, it is now adjusting to drive simplicity, while some jurisdictions are only just beginning their digital journey.

Complexity in the jurisdiction is limited, but snags such as understanding rudimentary setup processes and Danish language barriers can occur. However, the government is focusing on adding more and more information in English, so this may shift towards greater simplicity in future. Contractual business operation that requires short-term set up can create some complexity as this requires a considerable amount of administration, despite the short operation time.

During the pandemic the government put support packages in place that included shorter time to qualify for reimbursements for employees who became sick due to Covid-19, salary compensation and compensation to help cover fixed costs for companies. It was helpful but did place an administrative burden on businesses to complete the necessary paperwork. There were also fines for incorrect completion of forms.

Emerging from the pandemic, there has been discussion about the possible postponement of annual reports. This would lead to more flexibility as previously there has been a hard deadline. This mirrors steps taken during the pandemic, such as postponing deadlines, loans and reimbursements.

Given this flexibility, Denmark has been able to make a strong recovery following the pandemic and is set to remain one of the simplest jurisdictions for years to come.



Where the government can, they will digitalise. They started putting all the authorities' access into one place, so when you go in, you don't need to have five different logins. On the tax authority's homepage, the interface has changed to make it more friendly. They're also starting to have more and more information in English. It's a slow process but we can see the changes.

TMF Denmark expert



↓ 76 Curaçao

2021 (73)
2020 (77)

Curaçao has improved its ranking to be the second simplest jurisdiction in 2022. This is unsurprising considering the focus on simplicity that has been embedded into Curaçao's laws and legislation in recent years.

Accounting and tax are particularly straightforward. For example, bookkeeping is less complex thanks to minimal government interaction. All wage tax returns and filings are to be submitted by the 15th of each month, and if businesses can stick to this deadline there is little complexity.

Payroll and human resources can be slightly more complex here as there are increased 'proof' requirements to ensure businesses and individuals remain transparent. However, this has become simpler thanks to the development of electronic filing and online processes. Also, it doesn't necessarily impact the attractiveness of the jurisdiction because it's seen as a positive to be transparent and open. For instance, businesses and individuals from South America are attracted to Curaçao as it offers protection of their assets and their own safety.

An additional attraction for organisations from South America and elsewhere are language capabilities, with much of the workforce speaking Papiamentu, Dutch, English, Spanish and Portuguese. It is also part of the Kingdom of the Netherlands, and a focus on international alignment drives attractiveness and simplicity.

During Covid-19 there were some delays in business operation and incorporation. However, solutions were found and delays resolved within months. This included an increase in the ability to sign documents electronically. However, during and emerging from the pandemic, the jurisdiction has observed staff shortages, particularly within hospitality and leisure.

There is an expectation that UBO requirements may increase in coming years, which could impact doing business in Curaçao. However, there is little doubt that it will remain a highly attractive jurisdiction.



At the beginning of the pandemic business slowed down a bit, because nobody was used to working from home and notary offices were not open. Some business could not be done but, after a couple of months, everybody found a way to work around those issues. Governments, tax authorities are getting more flexible in accepting electronic signatures and electronic filings.

TMF Curaçao expert

↓ 77 Cayman Islands

2021 (75)
2020 (69)

The Cayman Islands is ranked as the simplest jurisdiction in the GBCI, driven by the jurisdiction's very simple accounting and tax regulations. Incorporating a foreign entity is an extremely straightforward and streamlined process. However, while the Cayman Islands was removed from the Financial Action Task Force (FATF) 'grey list', which flags jurisdictions in which money laundering is not sufficiently legislated against, it was added to the European Union's own grey list.

During 2022, the government is expected to pass legislation which will require limited partnerships (LPs), not just companies, to report their Ultimate Beneficial Owners (UBO). Although it is not expected to impact on complexity, there will be a remediation project for financial services providers to obtain and report on their LPs.

The impacts of Covid-19 on how foreign businesses operate in the Cayman Islands have largely been positive. Pre-pandemic, wet signatures were expected, if not required, whereas now, e-signatures are expected going forward. Reporting processes have been digitally streamlined.



The Cayman Islands government was quick to respond and adapt its operations to increase efficiency, better supporting the financial services industry during the height of Covid-19. These changes have now become standard operating procedures for the most part. In stark contrast to just a few years ago, all transactions with the General Registry, such as entity formation and submissions, such as regulatory submissions to the Cayman Islands Monetary Authority and the Department of International Tax Cooperation are now solely conducted via online platforms.

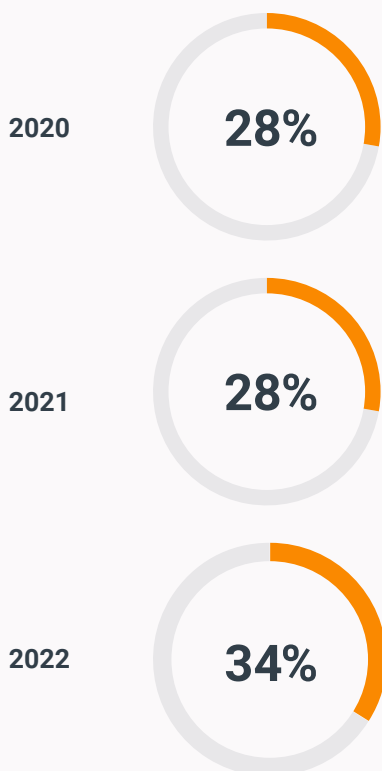
TMF Cayman Islands expert

COMPLEXITY AND THE FLOW OF FDI

A final finding of this year's report is around future investment, with our experts increasingly predicting simultaneous growth in both complexity and the flow of FDI. This presents an interesting challenge and opportunity to companies – it is more attractive to set up global operations, while also potentially being harder to navigate.

One third (34%) of our experts think there will be a significant increase in investment in their jurisdiction in the next five years, up from just over a quarter (28%) last year. Three quarters (74%) agree that their jurisdiction is making a concerted effort to attract foreign direct investment.

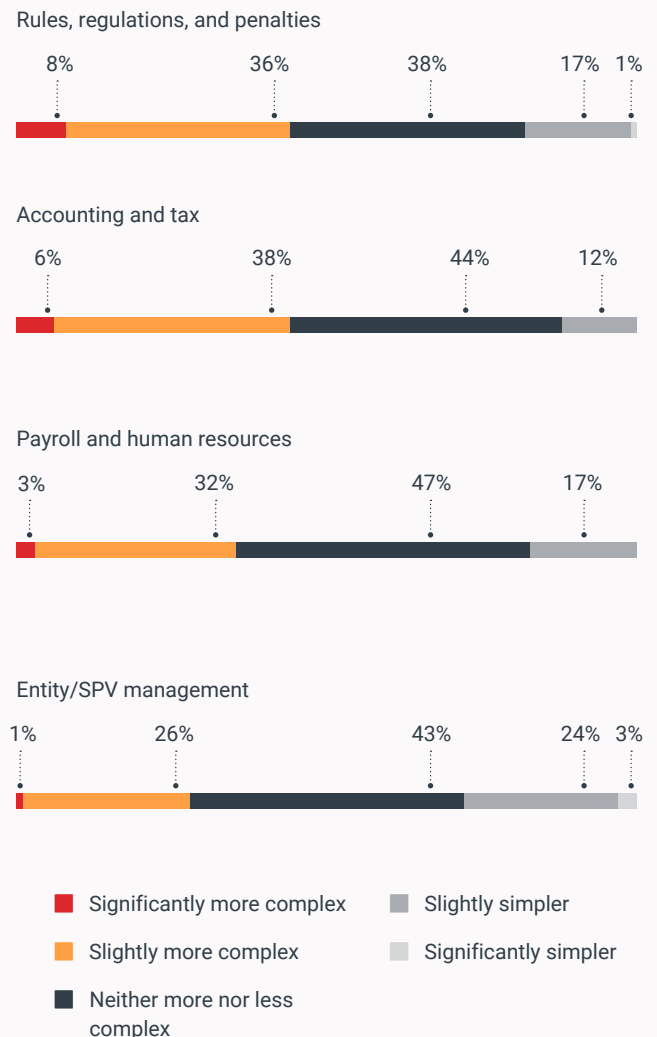
% saying there will be a significant increase in investment in the next five years



* Total is not 100 because individual percentages are rounded to the nearest whole number.

At the same time, complexity is on the rise. In 2021, 52% of our experts believed their jurisdiction was easier to do business in than its direct neighbours. This year, that number has fallen to 44%. The proportion reporting that their jurisdiction is one in which technology is reducing complexity has fallen year-on-year from 77% to 66% in 2022.

Predicted changes to complexity of managing a business over the next five years



CONCLUSION

The Covid-19 pandemic is receding but war in Ukraine has demonstrated that external events can develop and impact global business in a matter of days. This year's GBCI shows that setting up and maintaining business entities around the world is already a very complex undertaking, without additional external pressures.

Jurisdictions are enacting legislative changes to align themselves to international norms. Global industries are adjusting to the growing demands for ethical business practices from customers and stakeholders, especially around environmental and wider societal impacts.

At the same time, technology continues to play a role in both increasing and curtailing complexity. It can simplify the relationships between government and business, enabling the smooth upload of documentation and the swift conclusion of processes. Or, technology can lead to a sharp increase in complexity, as companies and

government agencies learn how best to use it, or where a business is expected to adapt to multiple systems and report to numerous agencies or levels of government.

Being aware of wider geopolitical events and the local factors driving complexity are fundamental to the success of establishing a business in a jurisdiction. With an increasing number of our local experts predicting a significant FDI increase in their jurisdiction over the next five years (34% vs 28% pre-pandemic), opportunities for expanding into different territories and growing a business are undiminished.

However, companies and organisations must be agile and prepared for sudden changes to the way they do business. Staying on top of the changing rules, regulations and investor trends will help you do business across borders, while also giving you the opportunity to thrive in an unpredictable global landscape.



Technology continues to play a role in both increasing and curtailing complexity

Companies and organisations must be agile and prepared for sudden changes to the business landscape

METHODOLOGY

The Global Business Complexity Index was created by TMF Group, the experts on global and local business complexity, and Savanta, a specialist market research agency. Combining subject-specific knowledge with a solid grounding in data and analysis, the GBCI 2022 is built on robust multi-method research.

The index is generated from an in-depth survey of TMF Group's in-market experts in 77 jurisdictions, and the data is also compared to the survey results used in last year's GBCI report. The survey covers three areas of business operations:

- Accounting and tax
- Global entity management
- Payroll and human resources

The data for each jurisdiction was statistically weighted and combined to produce an overall complexity score, as well as a score in each of the above three areas. Visuals are based on survey results across 2020, 2021 and 2022. Those that answered 'don't know' in the survey have been excluded from the analysis.

About Savanta

Savanta (www.savanta.com) is a fast-growing data, research, and consultancy firm. We inform and inspire change through cutting-edge data collection and analysis across a wide range of sectors.

GLOSSARY

AML	Anti-money laundering refers to a suite of laws and regulations that aim to stop criminals from claiming illicit funds as legitimate income.	GDPR	The General Data Protection Regulation is a European Union law that sets out rules for protecting the personal data of EU individuals.
BEPS	Base erosion and profit shifting refers to tax avoidance strategies used by multinationals, and the OECD regulations used to combat them.	Globalisation	Globalisation is a process of global convergence whereby economies and cultures become increasingly interconnected and aligned around the world.
CRS	The Common Reporting Standard is an OECD initiative to combat tax evasion. Participating jurisdictions have to require financial institutions in their jurisdictions to disclose information annually on financial accounts held with them by foreign residents, and to require the local assigned regulatory authority to exchange relevant information with the account holder's country of residence.	IFRS	International Financial Reporting Standards are a set of global standards issued by the IFRS foundation and the International Accounting Standards Board.
Economic substance	Economic substance is a principle in international tax that determines that a reasonable level of local economic activity must exist for an enterprise to claim tax residence in a specific jurisdiction, and that the establishment should exist in that jurisdiction for a more significant purpose than only the reduction of tax liability.	Incorporation	Incorporation refers to the process of establishing a new legal entity.
FATCA	The Foreign Account Tax Compliance Act is a US federal law requiring foreign financial institutions to disclose the financial accounts of their customers who are US persons or entities that are controlled by US persons, under penalty of substantial withholding tax on all US source income.	OECD	The Organisation for Economic Co-operation and Development is an international organisation that aims to promote global trade.
		PSC	A 'person with significant control' is a term used in various global regulations to refer to a person who has a significant level of control or influence over the actions of a legal entity. The exact definition varies according to the laws of different jurisdictions.
		UBO	The 'ultimate beneficial owner' refers to a natural person who directly or indirectly owns or controls a significant interest in an entity or arrangement. The exact definition of UBO and what constitutes significant interest varies according to the laws of different jurisdictions.

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WE MAKE A COMPLEX WORLD SIMPLE

One world of local service

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world.

Our 9,100 experts and 120 offices in 85 jurisdictions worldwide serve corporates, financial institutions, asset managers, private clients and family offices, providing the combination of accounting, tax, payroll, fund administration, compliance and entity management services essential to global business success.

We know how to unlock access to the world's most attractive markets – no matter how complex – swiftly, safely and efficiently. That's why more than 60% of the Fortune Global 500 and FTSE 100, and almost half the top 300 private equity firms, work with us.

Our unique global delivery model, underpinned by our innovative digital platforms, means we can cover sectors as diverse as capital markets, private equity, real estate, pharmaceuticals, energy and technology, with experts on the ground providing local support.

With year-on-year growth averaging 8% since 2013, TMF Group is a trusted and reliable partner. Whether operating across one border or many, with a handful of staff or several thousand, we have the business-critical support you need to expand, operate and grow while remaining compliant, everywhere.

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