

**TMF**  
GROUP

Global reach  
Local knowledge

# THE GLOBAL BUSINESS COMPLEXITY INDEX

2019



# CONTENTS



# INTRODUCTION

**This report looks at the complexity of operating businesses in countries around the world. TMF Group is proud to sponsor it.**

As a leading provider of international administrative services, we help clients invest and operate around the world safely and efficiently. We deal every day with the rules required to operate in over 100 countries, from fiduciary and compliance requirements, to accounting, tax and payroll.

Since our 2018 report, the world of international business has become more challenging. Trade disputes, tariffs, rising nationalism and Brexit now point to a shift from globalisation to economic fragmentation. As a result, businesses in many cases have to localise their presence in order to establish themselves in markets they wish to do business in.

That's why a good understanding of the rules that prevail – and how to manage them – are even more important. Firms will have to grapple with several ways of doing the same thing. Processes such as paying staff, filing accounts and registering a company all differ between jurisdictions – in some instances, procedures vary between regions within a single jurisdiction.

Unfortunately, some of the world's most commercially attractive countries are the most complex from a 'rules' perspective. Failure to understand or comply with these processes and procedures carries a cost, ranging from business disruption and reputational damage to penalties including fines, imprisonment and business closure.

This report is designed to help. The Global Business Complexity Index ranks jurisdictions around the world in terms of how difficult they are to operate in. It highlights what to expect from different countries across a range of business requirements including legal, compliance, accounting, tax and employment rules.

Complexity is not a reason to avoid investing. It is a factor which must be managed. With the right local knowledge and preparation, good companies can thrive anywhere.

*Mark Weil*

Mark Weil  
Chief Executive Officer  
TMF Group



# METHODOLOGY

The Global Business Complexity Index was compiled using research conducted among TMF Group's specialists in 76 jurisdictions\*. We measure 'complexity' in terms of how complicated and unpredictable a business environment is – and how difficult it is to understand and operate in.

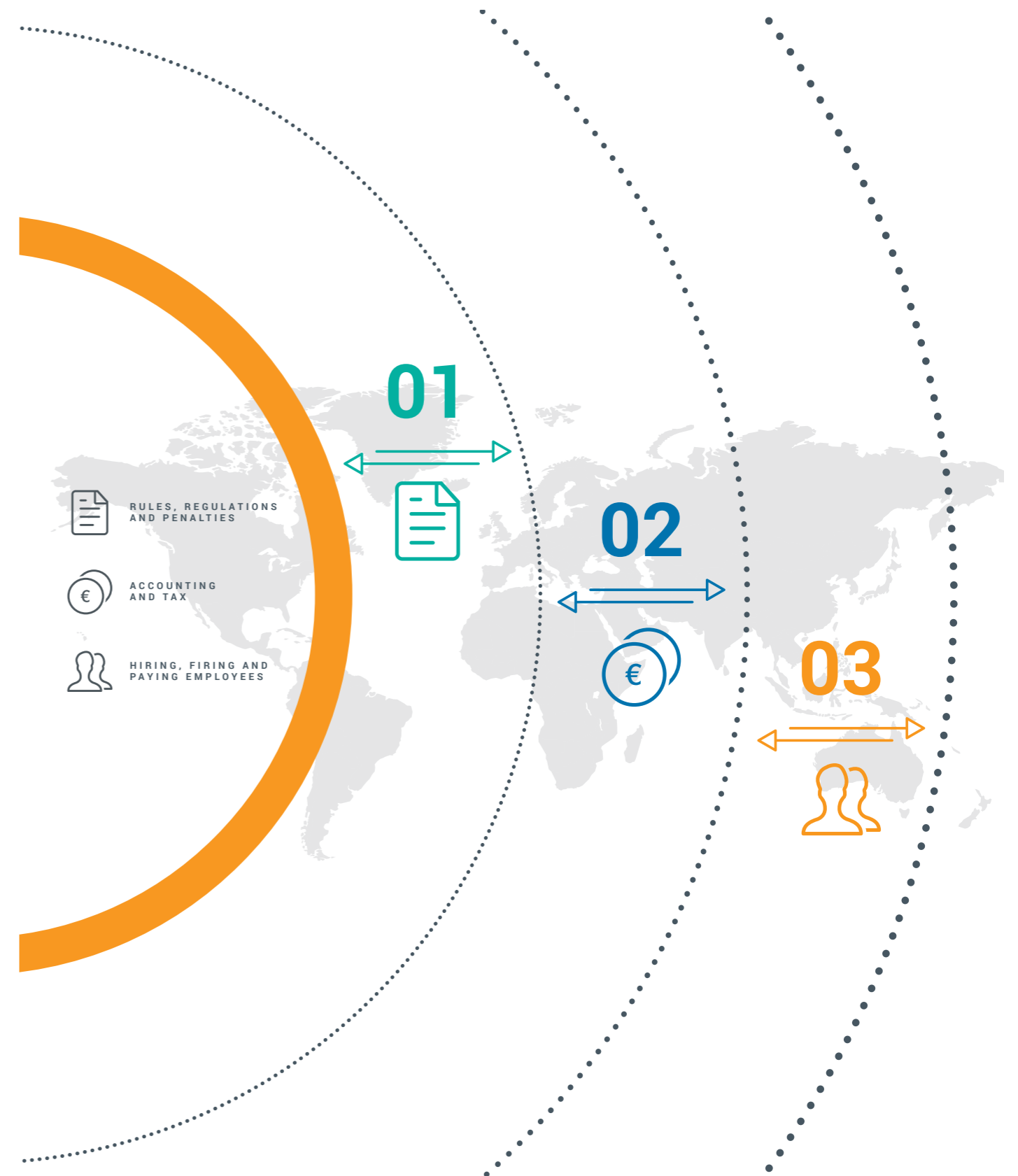
An in-depth survey explored three areas:

- Rules, regulations and penalties
- Accounting and tax
- Hiring, firing and paying employees

The data for each jurisdiction were statistically weighted and combined to produce an overall complexity score and ranked index.

Follow-up interviews were conducted with specialists from the ten highest and ten lowest ranking jurisdictions, exploring their business environments and investigating scores in greater detail. Experts were asked to score the complexity of several issues on a scale of 1 to 10, with 10 being the most complex. We calculated mean scores on the same scale.

\*We use 'jurisdiction' to mean an area governed by a set of laws. A country can include several jurisdictions which, from a business point of view, are separate. For example, Curaçao is part of the Kingdom of the Netherlands but it is an entirely separate jurisdiction to the Netherlands.



# THE GLOBAL BUSINESS COMPLEXITY INDEX 2019

■ 10 MOST COMPLEX JURISDICTIONS ■ 10 LEAST COMPLEX JURISDICTIONS

## TOP 10

- 01 GREECE
- 02 INDONESIA
- 03 BRAZIL
- 04 UNITED ARAB  
EMIRATES
- 05 BOLIVIA
- 06 SLOVAKIA
- 07 GERMANY
- 08 TURKEY
- 09 CHINA
- 10 PERU

## BOTTOM 10

- 67 NETHERLANDS
- 68 BRITISH VIRGIN  
ISLANDS
- 69 DENMARK
- 70 SWITZERLAND
- 71 ISRAEL
- 72 PARAGUAY
- 73 THAILAND
- 74 JERSEY
- 75 CURAÇAO
- 76 CAYMAN ISLANDS



# THE GLOBAL BUSINESS COMPLEXITY INDEX 2019

01	Greece	21	Poland	41	Ecuador	61	South Korea
02	Indonesia	22	Kazakhstan	42	Singapore	62	Mauritius
03	Brazil	23	Nicaragua	43	United Kingdom	63	Dominican Republic
04	United Arab Emirates	24	Italy	44	Russia	64	New Zealand
05	Bolivia	25	Malaysia	45	Austria	65	Australia
06	Slovakia	26	Canada	46	Taiwan	66	United States
07	Germany	27	Vietnam	47	Finland	67	Netherlands
08	Turkey	28	India	48	Czech Republic	68	British Virgin Islands
09	China	29	Serbia	49	Malta	69	Denmark
10	Peru	30	South Africa	50	Venezuela	70	Switzerland
11	El Salvador	31	Costa Rica	51	Panama	71	Israel
12	France	32	Slovenia	52	Guatemala	72	Paraguay
13	Colombia	33	Ireland	53	Romania	73	Thailand
14	Ukraine	34	Norway	54	Cyprus	74	Jersey
15	Belgium	35	Honduras	55	Sweden	75	Curaçao
16	Portugal	36	Luxembourg	56	Hong Kong	76	Cayman Islands
17	Qatar	37	Jamaica	57	Hungary		
18	Argentina	38	Uruguay	58	Bulgaria		
19	Spain	39	Mexico	59	Japan		
20	Philippines	40	Chile	60	Guernsey		

# GLOBAL HIGHLIGHTS

Globalisation is creating a more uniform regulatory landscape across jurisdictions as they adopt international standards. However, significant variation between countries and continents remains. In some instances, global and domestic legislation combine to amplify complexity.

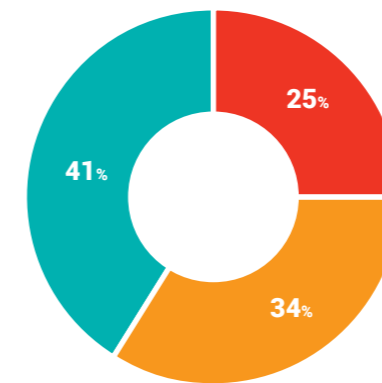
## International versus domestic

Companies setting up and running a business in a new jurisdiction need the right knowledge and support to achieve their aims.

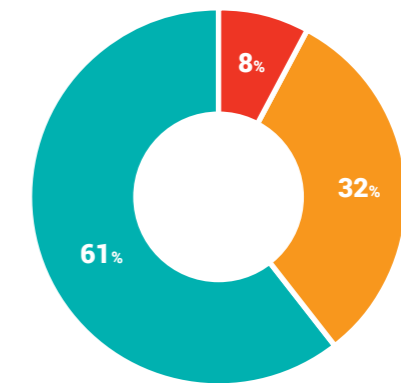
It is easier for a local firm to incorporate than a foreign-owned one, with domestic companies facing an average complexity score of 4.3 out of 10 when incorporating, compared to 5.6 out of 10 for multinational firms. Reasons vary from basic linguistic barriers to local representation and procedural challenges. For example, banks may require copious additional information from foreign entities applying to open an account and signatories may need to be present. However, once firms are up and running, the gap narrows. The average complexity score for managing a business is 4.9 out of 10 for domestic firms and 5.3 for multinationals.

■ EXTREMELY OR VERY COMPLEX ■ QUITE COMPLEX  
■ NOT AT ALL COMPLEX

## SETTING UP A BUSINESS\* IN A NEW JURISDICTION

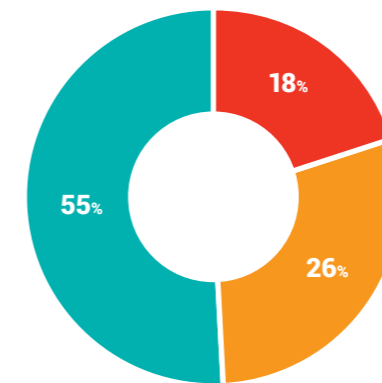


MULTINATIONAL

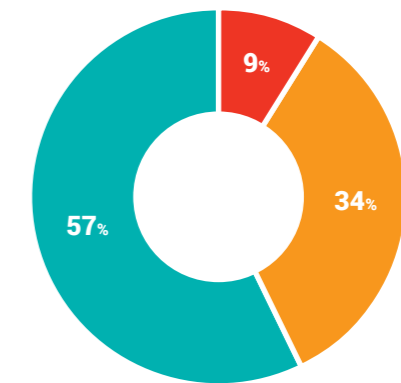


DOMESTIC

## MANAGING A BUSINESS\*\*



MULTINATIONAL



DOMESTIC

\*The processes and procedures required by law to establish an operational entity.

\*\*The legal obligations for established firms to operate on an ongoing basis.



# GLOBAL HIGHLIGHTS

## Complexity drivers

Four key themes about the causes of complexity emerged from our research:

- Local rules, regulations and penalty systems can be hard to navigate. Companies in over a third of jurisdictions find this very or extremely complex.
- Many jurisdictions change their legislation frequently, either to bolster the economy or make their market more attractive for investment. In the United States, for example, tax reform is making it easier for foreign businesses to repatriate profits, which encourages foreign investment.
- Managing accounting and tax is very or extremely complex for 17% of jurisdictions – often because local authorities prescribe their own reporting formats for accounting. Strict deadlines for tax reporting requirements, and harsh fines and penalties for non-compliance, can ramp up the pressure.
- Setting up processes to manage hiring, firing and paying employees is very or extremely complex in 42% of jurisdictions because of complex local labour laws, specific reporting requirements and the difficulty of hiring staff before a business has been incorporated as a legal entity. The mean complexity score across all jurisdictions for hiring before legal incorporation is high at 7.5 out of 10.

## Looking ahead

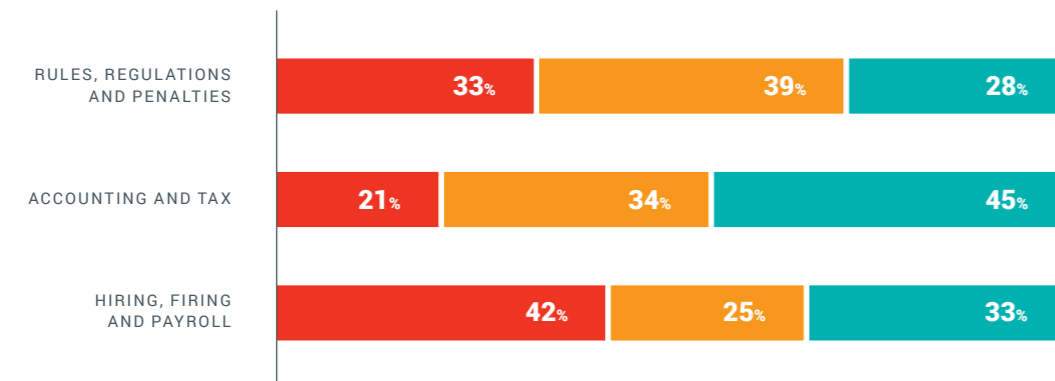
The biggest challenge is likely to be rapid legislative change, affecting most jurisdictions. Overall, however, the global outlook is positive.

Technology is proving a powerful tool in reducing complexity. While adopting digital systems has created friction in some jurisdictions, it is streamlining processes in others. Online incorporation is a prime example. In some jurisdictions, including the British Virgin Islands (BVI), the Cayman Islands and Jersey, it can happen very speedily, sometimes in less than 24 hours. This increases their attractiveness to global investors. Harmonised rules signal an established business environment, making the process of compliance simpler for multinational companies.

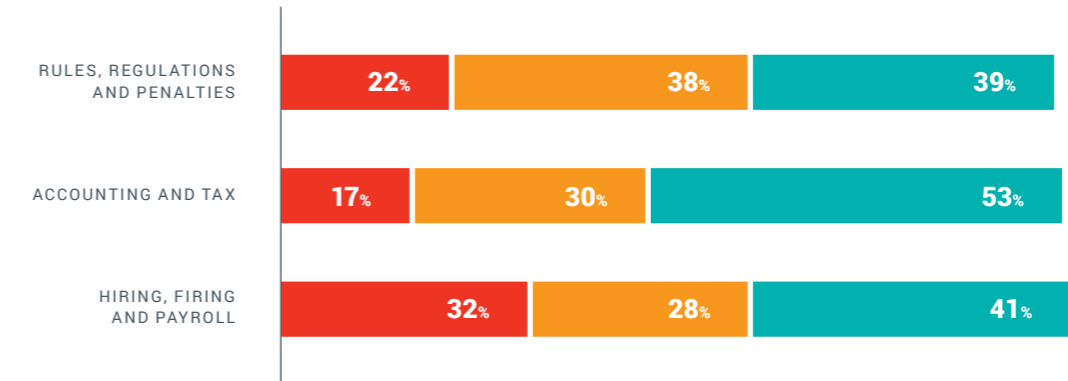
Our experts believe their respective jurisdictions are moving in the right direction, creating opportunities for businesses. Even seven out of the ten ranked most complex predict they will develop more attractive business environments over the next five years. Businesses looking for overseas opportunities should cast their nets widely for the best expansion options.

■ EXTREMELY OR VERY COMPLEX ■ QUITE COMPLEX ■ NOT AT ALL COMPLEX

## FIRST OPERATING IN A NEW JURISDICTION



## MANAGING DAY-TO-DAY OPERATIONS





“

Every week, new decisions and laws affect the way companies in Greece do business, manage their bookkeeping, plan for the future and communicate with clients.

—  
Yannis Goussiakis,  
TMF Group, Greece.

”

## 10 MOST COMPLEX JURISDICTIONS

### 1 / GREECE

**Rapidly changing legislation combined with complex labour laws puts Greece at the top of the Global Business Complexity Index.**

Greece's existing legislation can be complicated and new measures are continually being introduced. Sometimes, multiple laws conflict and it can be hard for businesses to know which one to comply with. For example, in some cases, VAT refunds are subject to different treatment depending on the tax office dealt with. On occasion, individuals declaring identical dividends have been taxed at rates varying by more than 10%. The Greek government does not always provide enough guidance, making this a tough jurisdiction for foreign firms to navigate.

Some Greek islands operate as independent provinces for compliance and tax. This scenario is relatively unusual since compliance requirements vary between provinces in only 22% of jurisdictions and tax requirements vary between provinces in only 33%.

**Staffing: demands and restrictions**

—  
Greece is a welfare state. Mandated benefits include Christmas and Easter bonuses, life insurance, transportation allowance and tax breaks for staff who are married or have children. Although the benefits system has been simplified over the last two years, payroll legislation changes frequently and is often applied retroactively. Many businesses require local support to help them manage their obligations.

Businesses face hiring restrictions. For example, it can be extremely difficult to employ workers from outside the EU because government authorities are reluctant to provide work permits.

## 2 / INDONESIA

**Indonesia ranks second place in complexity because its legislation changes frequently and regulations can be at odds with each other.**

This is exemplified by the enforcement of VAT on online sales – a change announced in 2018 and scrapped in 2019. While Indonesia is gradually modernising, the existing legal infrastructure cannot always keep pace with the changes.

**Incorporation and regulation are complex**

– The Online Single Submission (OSS) system used for incorporation – which has launched but is still under development - complicates an already complex process.

Once a company has been set up, reporting requirements are stringent. Rules and standards are set by different authorities and can vary significantly. For example, companies must report to the Ministry of Finance, the Financial Services Authority and the Central Bank. However, many of these bodies have different reporting formats and timeframes, often leading to confusion and complexity. The associated bureaucracy can be challenging. For example, the tax authorities must, in principle, accept digital signatures but 'wet signatures' are often required in practice.

**"Indonesia is one of the most complex jurisdictions in Asia Pacific for incorporation. The regulatory landscape is constantly shifting and is subject to some quite drastic changes."**

– Alvin Christian,  
TMF Group, Indonesia.

## 3 / BRAZIL

**Despite ranking third for complexity, Brazil is likely to remain economically attractive.**

It has made strong progress in stabilising interest rates and government spending is tightly controlled. Brazil has pioneered the use of technology – it recently implemented digital bookkeeping with the Sistema Público de Escrituração Digital (SPED) to standardise tax reporting and enhance foreign investment.

However, companies require local insight to navigate the legislative landscape and determine what regulators are likely to accept. Furthermore, VAT percentages and tax incentives vary from state to state, requiring an even deeper level of local knowledge.

**Understanding the labour force**

– While 2017 labour reforms enabled more flexibility in collective agreements and union relations, complying with Brazilian labour laws remains onerous. It was rated 8 out of 10 for complexity, against a mean score of 5 across the Americas.

Employment rights remain strong and workers have a good chance of winning against employers in court disputes. Instead of firing employees for wrongdoing, companies often choose to grant severance payments. This can discourage employees from performing well during their notice period.

Labour unions wield significant influence, particularly in the more traditional manufacturing and industrial sectors where they have established industry-specific protections for workers. Companies can bolster their reputations by developing good relationships with unions but compliance with union rules can prove very expensive.

**"You need to become 'seasoned' when it comes to the best way to execute business in Brazil. Part of that is trial and error."**

– Rodrigo Zambon,  
TMF Group, Brazil.





Once you are in the UAE, and you understand the market, or have good advisors that will work through the complexity, it's fine and doing business is much more straightforward.

—  
Stephanie Williams,  
TMF Group, UAE.



## 4 / UNITED ARAB EMIRATES

**Much legislation is being introduced in the United Arab Emirates (UAE). Over the long term, this should make it operationally easier for businesses but in the short term, the new rules and regulations add complexity.**

UAE comprises many internal jurisdictions, each with its own set of regulations and requirements governing company establishment, compliance and filing. Navigating this environment requires accountancy professionals with specific expertise. The relatively business-friendly jurisdictions are pushing ahead with automation and digitisation of processes. However, operating in other jurisdictions requires in-depth local knowledge and may entail translating official documents into Arabic. Businesses investing in a detailed understanding of their jurisdictions will reap rewards.

Maintaining a business in the UAE can involve time-consuming processes, encompassing annual trade licence renewal, payroll compliance and ongoing maintenance of residency visas and labour cards.

**Local tax and payroll knowledge is essential**

—  
Last year, as part of a drive to ensure companies file their VAT correctly, authorities introduced a system of fines for mis- or incorrect filing. Some companies failed to understand the new requirements and having missed strict deadlines are now facing penalties. The UAE's Wage Protection Scheme varies between jurisdictions. Ensuring salaries are paid correctly each month is a significant responsibility for all employers.

## 5 / BOLIVIA

**Demanding regulations and high corporate taxation create a challenging business environment in Bolivia but there are moves to reduce complexity. For example, digital processes and e-signatures are being introduced to reduce paperwork.**

The Bolivian government requires businesses to adhere to local policies. However, many domestic regulations, such as the national labour code, are not straightforward because of regional differences in interpretation. Tax structures vary. Foreign companies operating through a subsidiary pay an additional 12.5% tax on profits, on top of the standard 25% tax, due to the presumption of payment revenues to foreign shareholders.

### Employee rights

Businesses need to be aware of the priority Bolivia's government gives to workers' rights and understand compliance requirements. For example, if employees are dismissed, they can apply to be rehired and stand a good chance of success.

**"The economic stability of the country is linked to the international prices of gas, petroleum and lithium. A fall in the international prices of these commodities can make the context more complex by increasing regulations and taxes."**

– Luis Maria Gonzalez,  
TMF Group, Bolivia.

## 6 / SLOVAKIA

**Although Slovakia's legislation is in line with that of the European Union, difficulties with technology implementation are increasing complexity in the short term.**

An electronic submission system for the incorporation of companies was implemented last year. The new portal is expected to make registration much simpler once fully operational.

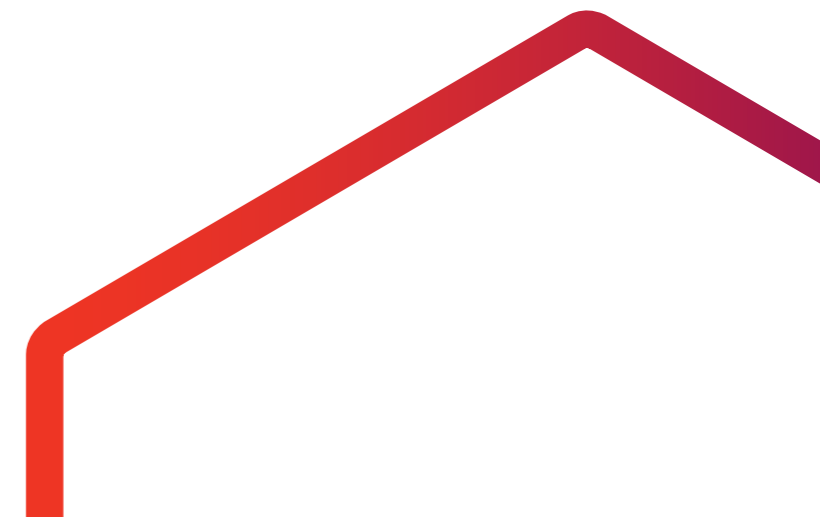
### Understanding employee benefits and tax compliance

The Slovak Labour Code complies with European Union standards but workers are entitled to benefits that few other European countries mandate. These include dental insurance and transportation allowance, benefits legally required in only 5% and 16% of jurisdictions respectively.

Most penalties for failing to comply with the Slovak accounting and tax reporting system amount to only minor fines but company managers must operate safely within the law to avoid being personally liable.

**"The Slovak labour code is quite complex and favours, in most cases, the employee."**

– Julian Dietz,  
TMF Group, Slovakia.



## 7 / GERMANY

**Germany earns a high complexity ranking as one of the most challenging jurisdictions for accounting and tax legislation.**

The country adheres strictly to European and global regulations, which can wrong-foot foreign investors unfamiliar with requirements. Federal Office of Justice fines for missing deadlines start at 2,500 euros and escalate quickly.

### German requirements

As elsewhere in the European Union, KYC (Know Your Customer) requirements are very strict in Germany and banks demand a wealth of information from applicants wishing to open an account. The process often takes six weeks or longer.

Meeting the terms of legal formalities is essential. For example, when establishing a German corporation or making notable changes to its structure, a German notary and all company shareholders must be present or represented. All official documents must be submitted in German.

Although conforming to these rules can be challenging, the well-organised German system helps to create predictability and security for businesses.

**“Germany is heavily regulated, with rules becoming stricter all the time. There is a desire for companies to become more transparent.”**

– Ursula Rutovitz,  
TMF Group, Germany.

## 8 / TURKEY

**In Turkey, modern legislation is overlaid on traditional laws which sometimes creates conflicts. However, moves to integrate the legal system should smooth out any contradictions over the next few years, making this an easier jurisdiction in which to operate.**

When setting up in Turkey, a company must register with the Tax and Social Security offices. While both departments require online registration, for now, paper documents must also be submitted.

Companies require a Turkish national with a citizen ID number to act as their representative during some application and registration processes.

New entrants to the market can be tripped up by complications involving the accounting profession. For example, unlike in many countries where accounting and tax can be separate specialisms, Turkish accountants have ‘mutual responsibility’ for the accuracy of tax filings. This means they are required to have a greater working knowledge of tax than many of their counterparts in other jurisdictions.

### Managing mandatory pensions

Since June 2018, companies with ten or more employees have been required to register for a private pension scheme. However, employees can withdraw from them after two months – and frequently do. This means companies can bear the administrative burden of setting up and dismantling pension funds for new employees, contributing to a complexity score of 9 out of 10, compared to the global mean of 4.

**“We expect Turkey will continue to move towards online-only processes but these transformations take time.”**

– Emir Sagkan,  
TMF Group, Turkey.

## 9 / CHINA

**China's complexity is driven by variation in legislation across different regions, coupled with legislative changes. Although these changes pose challenges in the short term, they are likely to bring huge benefits to international businesses investing in China in the future.**

Government legislation is set nationally but implementation of the laws differs at the provincial level and even between different cities. While China is developing rapidly, there is still a significant disparity between the 'first tier' cities which are open to foreign investment, and lower tier cities which are less internationally aligned.

### Opening up and automating

While China is working to level the playing field, some processes are still more complex for international firms than their local counterparts. However, as the government gradually dismantles this legislation as part of its drive to open up China to the global economy, the situation should improve.

Digitisation will also ease the path for companies setting up in China. The government has launched the third phase of its 'Golden Tax' project, simplifying the submission process for electronic tax returns.

**"President Xi Jinping is keen to further strengthen China's position as a key player in the world economy. Legislation should become more straightforward, streamlined and transparent."**

– Wendy Chan,  
TMF Group, China.

## 10 / PERU

**In 2018, a corruption scandal brought down Peru's President and created political unrest. However, the country's current President has committed to stabilising the economy to restore confidence.**

As Peru looks to join the OECD, it will aim to align with global economic standards, creating a less complex environment for multinational companies to navigate.

Presently, it takes two to three months for a company to become established as a legal entity. During the registration process, multiple documents must be submitted including information about the company or business and its operational plans. Operations cannot begin until a registration number has been received.

A corporation must ensure tax compliance to avoid severe penalties for the incorrect submission of taxes.

**"We think the political situation in Peru will improve, making things simpler for businesses. All indicators suggest that if current growth is maintained, the economic outlook will get much better."**

– Javier Grau,  
TMF Group, Peru.



SPOTLIGHT ON:

# RULES, REGULATIONS AND PENALTIES

Our analysis spans the areas of regulatory compliance that apply to businesses looking to expand overseas.

While globalisation is driving many jurisdictions to align with international regulatory standards, most also maintain their own local requirements. These two sets of rules determine the overall level of complexity faced by businesses. Our specialists report that most jurisdictions aim to develop local standards that exceed international norms, enabling international legislation to be pre-empted.

In Switzerland, for example, banking secrecy legislation laid the groundwork for data protection a decade before GDPR, making compliance a simpler process.

Companies are responsible for their own compliance with international regulations and that of suppliers and partners. This can add complexity but steers all parties towards operational alignment.



% OF JURISDICTIONS REQUIRING DIRECTORS OF A PRIVATE COMPANY TO BE NATIVE OR RESIDENT:



### Smoothing the path

Technical and regulatory developments are simplifying processes for companies that expand overseas.

- Electronic filing and reporting systems can make it easier to do business and boost efficiency as processes become streamlined. Specialists in 68% of jurisdictions report that technology reduces reporting complexity. However, rates of adoption vary: official submissions to authorities are carried out electronically in 84% of jurisdictions in EMEA but only 50% of jurisdictions in APAC. In some instances, digitisation has created an initial upswing in complexity, especially in jurisdictions where online platforms are not yet working perfectly or where hard copies are still required in addition to electronic submissions.
- Residency requirements are not overly demanding in most jurisdictions, with only 1 in 12 requiring shareholders to live locally. However, a quarter require directors of private companies to be native or resident in the country. This requirement shows strong regional trends. It is true of 50% of jurisdictions across APAC but only 38% in the Americas and 11% in EMEA.

### Compliance challenges

Reporting requirements frequently add to compliance complexity.

- International reporting requirements are increasing as part of a global drive to improve transparency – 83% of jurisdictions have committed to exchange information under the Common Reporting Standard.
- Official documents must be prepared and submitted in the local language in 74% of jurisdictions.
- Regions within a jurisdiction may have different legislative requirements. Tax requirements differ between regions in 33% of jurisdictions and compliance requirements in 22%.
- Our specialists report that penalties are relatively high in relation to the severity of the compliance failure in 70% of jurisdictions. Rapidly changing legislation adds to the challenge for companies, which must strive to keep on top of developments. They can reduce their exposure to risk by seeking guidance from local authorities and experts.

Overall, the global trend towards international compliance standards is good for business. While sometimes adding to the workload, it increases uniformity across jurisdictions, boosts transparency and reassures potential investors that a jurisdiction is a safe and secure place for businesses to operate.

SPOTLIGHT ON:

# ACCOUNTING AND TAX

The accounting and tax component of our research explores what is legally required of businesses in the financial sphere.

Complexity increases when legislation changes frequently and when new requirements move the goalposts.

- Reporting formats are not standardised around the world. Our research revealed that in 70% of jurisdictions, local authorities prescribe the format of accounting reports.
- Rigid tax reporting timeframes add pressure: in 63% of jurisdictions it is not possible to postpone a tax audit and in 67%, deadlines for tax or statutory filings cannot be extended.

- Global efforts to stamp out tax fraud can give rise to harsh penalties for businesses which are not tax registered or do not comply with regulations. Companies that are not tax registered risk significant fines in 85% of jurisdictions and long-term suspensions of activity in 40%. In 45% of jurisdictions, company directors can be given prison sentences. Accuracy of tax reporting is essential. Non-compliance can lead to significant fines in 83% of jurisdictions and possible imprisonment in 48%.

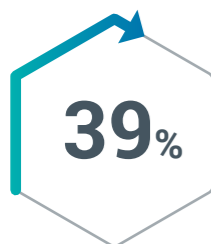
However, in many jurisdictions, modernisation is starting to make life easier for foreign firms. For example, 63% of jurisdictions allow accounting records to be maintained abroad and 52% accept tax payments from an overseas bank account. Authorities in many jurisdictions are providing businesses with useful advice. Two thirds of the jurisdictions we surveyed provide written guidance on how to apply local rules and regulations.

## The digital revolution

Digitisation is transforming reporting in many jurisdictions. Electronic submissions boost transparency, efficiency, accuracy and processing speeds.

Our research reveals that companies need to submit accounting records to state authorities electronically in 51% of jurisdictions, while 39% require tax invoices to be issued in an electronic format. In Brazil, for example, digitisation of these processes began in 2000 with the development of SPED, which includes digital signature technology.

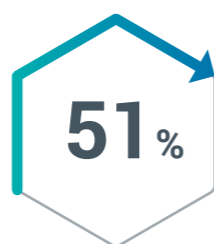
New technology frequently suffers from teething pains and it takes time for businesses to learn how to comply with new processes. In the long term, however, as platforms are refined and developed, the shift to online should benefit businesses by reducing complexity.



39% of jurisdictions require tax invoices to be issued in an electronic format



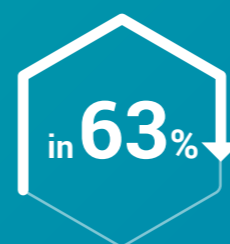
50% of jurisdictions say that the accounting software used to maintain local books of accounts must comply with local authorities' requirements



51% of jurisdictions must submit accounting records to state authorities in electronic format



63% of jurisdictions have a separate tax registration and entity incorporation process



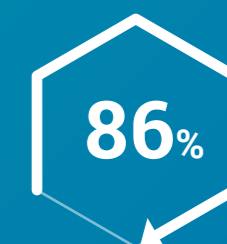
in 63% of jurisdictions, a tax audit cannot be postponed



in 67% of jurisdictions, deadlines for tax/statutory filings cannot be extended



74% of jurisdictions say country-by-country reporting requirements are implemented in their jurisdiction



86% of jurisdictions require a local license to be obtained prior to becoming operational



SPOTLIGHT ON:

# HIRING, FIRING AND PAYING EMPLOYEES

We have investigated the human resources and payroll challenges facing businesses.

Around half our specialists report that labour laws are difficult to understand and comply with in their jurisdictions. It gets even harder if payroll legislation continually changes – sometimes retrospectively – especially if the local government does not provide useful compliance guidance.

There are multiple sources of complexity in this area:

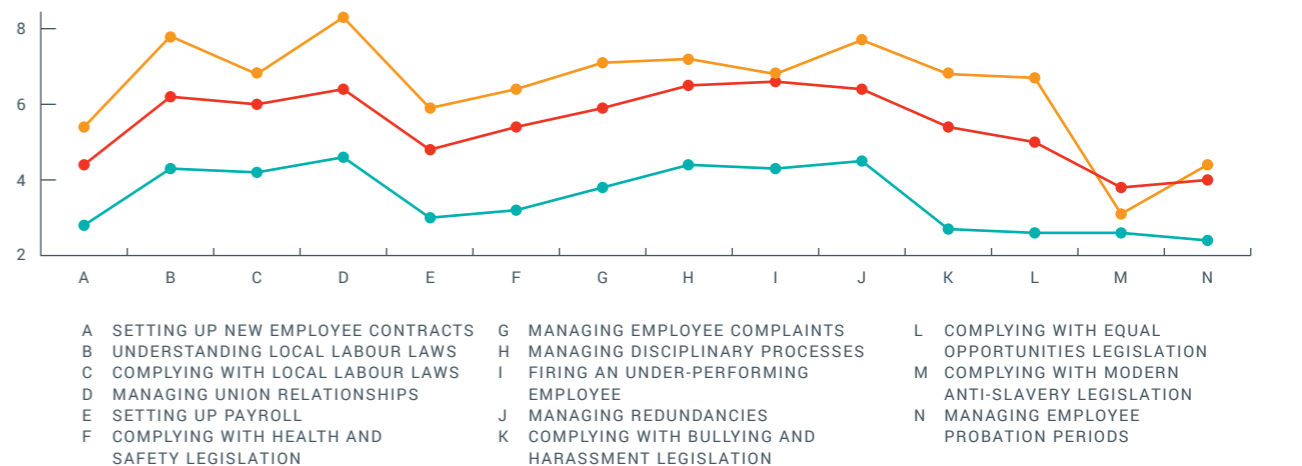
- While businesses are setting up in a new jurisdiction, they may be restricted from finding and employing staff, making it harder to hit the ground running. Hiring employees usually becomes much easier once the business is established.
- Recruiting workers from overseas is often much more difficult than staffing from domestic sources as labour laws are typically designed to encourage local employment.
- Some employee benefits are required by law almost everywhere, including minimum wage (mandated in 89% of jurisdictions), maternity leave (87%), redundancy pay (87%), vacation leave (84%), overtime (80%) and sick pay (80%).

Other benefits are more commonplace in some regions than others. In the Americas, workers are often paid a 13-month salary (a mandatory annual bonus) which is a legal requirement in 71% of jurisdictions. In APAC and EMEA, it is required in only 21% and 16% of jurisdictions respectively. In pension provision, APAC leads the way: a fund must be offered in 79% of its jurisdictions, compared to 63% in the Americas and 50% in EMEA. Meanwhile, some jurisdictions demand relatively unusual benefits, including transportation allowance (16%) and life insurance (11%).

- Reporting requirements vary. In particular, payroll data must be submitted to the government monthly in 76% of jurisdictions.
- Where unions exert a powerful influence – in 29% of jurisdictions – businesses need to establish and manage relationships. In union strongholds, the interpretation of labour laws often benefits employees rather than the employer.
- Managing a disciplinary process and firing an underperforming employee is complex in over half of jurisdictions. There are radical differences around the globe: in EMEA and APAC, businesses must typically give three to eight weeks' notice. In the Americas, employees can be fired with less than a day's notice in 52% of jurisdictions.

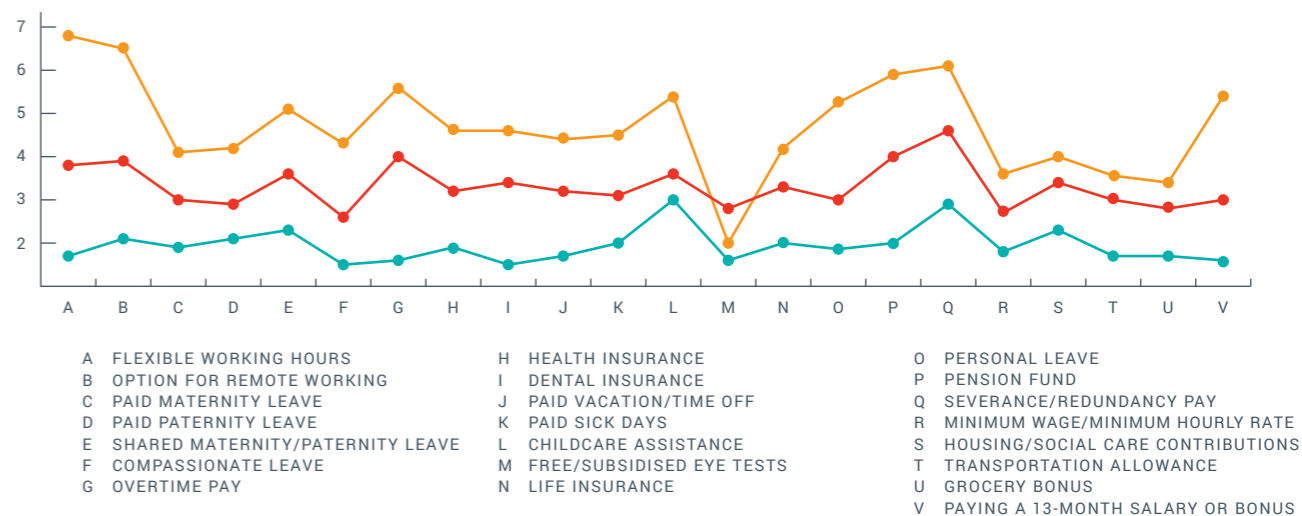
## HIRING, FIRING AND PAYING EMPLOYEES COMPLEXITY FACTORS

(1-10 SCALE, 10 = THE MOST COMPLEX)

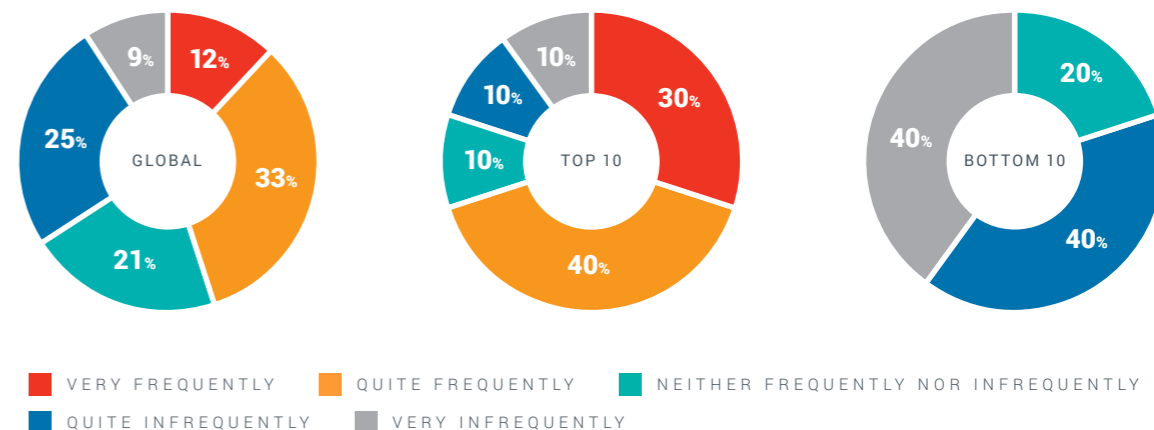


## EMPLOYEE BENEFIT COMPLEXITY FACTORS

(1-10 SCALE, 10 = THE MOST COMPLEX)



## FREQUENCY OF LEGISLATION CHANGE



## 10 LEAST COMPLEX JURISDICTIONS

### 67 / THE NETHERLANDS

**The Netherlands is making compliance straightforward. Many regulatory processes have been digitised, improving efficiency and security of data exchange between tax payers and tax revenue services.**

The Dutch government is responsive and often willing to provide guidance to help businesses gain a clear understanding of new legislation. It conducts consultations with business groups before new measures are introduced, aiming to ensure their application is practical and user-friendly.

It can be hard to secure employees in the Netherlands. In a strong economy, employers need to offer competitive benefits if they want to attract the most skilled workers to facilitate growth.

#### The banking challenge

As in much of Europe, opening a bank account in the Netherlands involves enhanced KYC (Know Your Customer) requirements. A high level of due diligence is required and companies will need to provide detailed information about their operations in other jurisdictions.

**“Dutch culture focuses on getting things done and builds towards harmony rather than towards power. I think that’s the best reason to go to the Netherlands.”**

– Priscilla Schraal,  
TMF Group, the Netherlands.

## 68 / THE BRITISH VIRGIN ISLANDS

**The financial services industry is the lifeblood of the British Virgin Islands (BVI). Within days of Hurricane Irma in 2017, the company registry was back up and running – testament to the government’s prioritisation of the sector.**

The BVI is one of the world’s largest centres for the incorporation of companies, especially those which facilitate cross-border trade, investment and business. The incorporation process is extremely efficient and can take only a matter of hours. Further, the BVI’s government offers lower fees than the governments of similar economies, including the Cayman Islands.

#### Talent pool

As with many other island jurisdictions, the BVI promotes the hiring of its own citizens over foreigners, leading to a complexity score of 9 out of 10 for seconding workers from overseas. Strict immigration controls mean that only highly-skilled workers can move there.

**“The British Virgin Islands could be very attractive to start-ups in terms of the cost of setting up and maintaining a company.”**

– Charlotte Bailey,  
TMF Group, the British Virgin Islands.



## 69 / DENMARK

**In Denmark, establishing and operating a business is relatively easy because nearly all document submission takes place online, making compliance straightforward and fast.**

Setting up a business authority company ID or tax ID can usually be done within 24 hours. Furthermore, all statutory filing documents are submitted electronically. Once a company signatory has been granted digital access rights they are allowed to sign documents electronically, removing the need for hard copies.

### Standardised employee benefits

Benefits are agreed by representatives for workers, employers and the government and are reviewed triennially. Payroll processing systems are established to manage those benefits.

**“Employees in highly unionised sectors can benefit from employment terms dictated by collective agreements, resulting in very strong employment rights.”**

– Dannie Wai,  
TMF Group, Denmark.

## 70 / SWITZERLAND

**Switzerland offers a very stable legislative environment combined with currency and price regularity and a highly professional international banking system.**

With a business-friendly attitude, the country’s tax authorities provide companies with guidance and support to ensure they can comply with laws and legislation. Contacting them is easy and most problems can be resolved with a phone call.

### Direct democracy meets liberalism

Switzerland has a distinctive political system and any legislation that is passed must be ‘put to the people’. These consultations take time, which gives companies ample warning of putative changes. New legislation is usually considered very carefully before it is put to the vote.

Swiss employers and employees negotiate contract terms with a high degree of freedom and terms can even be agreed orally. While severance pay is legally required in 87% of jurisdictions, it is not in Switzerland. There are basic national stipulations, such as a minimum of four weeks paid annual leave. However, the finer details of each contract are agreed individually. This system allows both parties to achieve the terms they want.

**“The usual principle is the liberty and freedom of the employer and employee. In that sense, Switzerland is one of the most liberal countries in the world.”**

– Giorgio Incognito,  
TMF Group, Switzerland.



## 71 / ISRAEL

**Israel scores well for simplicity because its government has worked hard over the last 20 years to create an attractive environment for overseas businesses – its Ministry of Economy even has a dedicated foreign investment arm.**

Rules and regulations around hiring, firing and paying employees are usually straightforward. In addition, multinationals do not need a local resident shareholder or director and, as long as a local fiscal representative is appointed, firms can be entirely foreign-owned. This makes it relatively uncomplicated to establish a presence in the country.

Although Israel's official language is Hebrew, foreign companies can apply for special dispensation that allows them to keep their documents and tax records in English, removing an otherwise painful barrier to entry.

### Straightforward reporting requirements

Tax invoices can be issued either electronically or manually, but most ongoing reporting is done online. The outcome is that, despite some unique local regulations, Israel is a relatively easy country in which to do business.

**"Israel is a small country looking to attract foreign investment and support multinationals who choose to set up here. There are local compliance processes to follow, but usually they are straightforward."**

– Liat Shibolet,  
TMF Group, Israel.

## 72 / PARAGUAY

**Paraguay is relatively light on legislation, compared with its South American neighbours.**

It has minimal reporting requirements, domestically and internationally. For example, it is not compulsory to maintain Transfer Pricing Files (domestic) or comply with Base Erosion and Profit Sharing regulations (international – OECD). Most jurisdictions implement these standards and Paraguay is highly unusual in abstaining from them.

Despite undemanding regulations, penalties for tax offences can be severe. However, companies can arrange to pay them in monthly instalments to help avoid cashflow crises.

### Stable microeconomic conditions

Paraguay suffers from a reputation for corruption and a lack of transparency. However, most of these problems are confined to government and publicly owned companies and do not affect the day-to-day running of private businesses.

Corruption is diminishing, thanks to a government crackdown. In April 2019, a high-profile raid took place at the home of the Director of the Customs Department of Specialised Surveillance, who had been accepting bribes from drug traffickers. The government is promoting transparency. In 2014, it passed a law granting citizens free access to certain information sources including the 'Portal Paraguay' website, which lists the salaries of public officials including politicians and judges.

**"We do have cases of corruption, but we have had the same microeconomic conditions for the last 15 years with very low inflation."**

– Marcelo Gul,  
TMF Group, Paraguay.



## 73 / THAILAND

**While Thailand's tax and accounting system is quite complex, it scored highly for simplicity because its regulatory landscape and employment rules are business-friendly.**

Despite frequent changes in government, the country's leadership is consistently pro-business and keen to attract foreign investment. The National Competitive Enhancement Act waives the need for work permits for highly skilled overseas workers and investors. Incorporation is relatively simple. Once all documentation has been prepared, establishing a company can take less than a day. A local company secretary or director is not required, so incorporation can be carried out from anywhere in the world.

### Staffing is straightforward

Hiring and maintaining a local workforce is a relatively straightforward process in Thailand. Employee rights are enshrined in law but few benefits are mandatory and they are easy to administer. The Labour Department sets the health and safety requirements for companies in each industry but the requirements are not complex or overly onerous.

**"The government is committed to reducing complexity. Authorities are trying to make the business environment easier for both Thai and foreign investors."**

– Janist Aphornratana,  
TMF Group, Thailand.

## 74 / JERSEY

**As a financial services specialist, Jersey has streamlined its legislation – as evidenced by the Companies (Jersey) Law 1991 – to allow for easy incorporation and operation in this sector. Companies setting up on the island can expect political stability and a simple tax system which is straightforward and not liable to sudden change.**

The island's legislation is highly aligned with international standards and is very likely to remain constant over the next five years (true of only 17% of jurisdictions). In fact, as a leader in its field, Jersey plays a role in setting international standards, particularly in trust law.

### Fast incorporation

Incorporation is simple, especially for financial operations which can be set up in a matter of hours. Labour and raw material-intensive industries will face more challenges, such as strict housing laws and restricted transportation options.

**"Jersey is one of the world's leading financial services centres. Facilitating global business is part of its raison d'être."**

– Norson Harris,  
TMF Group, Jersey.



## 75 / CURAÇAO

**The politically-stable, pro-business jurisdiction of Curaçao in the Caribbean is part of the Kingdom of the Netherlands. It is the second least complex jurisdiction and is oriented towards attracting foreign investment.**

Its population speaks English, Dutch, Spanish and Papiamentu (a Creole language) and has close ties to Latin America and the United States, making it a welcoming environment for multinationals. Foreign nationals can easily invest in real estate in Curaçao, unlike many other parts of Latin America where the process can be complicated.

Accounting is relatively easy because foreign companies are permitted to use their own accounting practices and do not need to 'translate' their books to local standards. Audits are only mandatory for larger companies with annual sales exceeding approximately 5.6 million US dollars.

### Flexible labour market

The island's labour market favours the employer. Zero-hour contracts – with no minimum hours guaranteed by the employer and no obligation on the part of the employee to accept work – are permitted in certain sectors to support entrepreneurs. Companies can give workers temporary contracts up to three times in a row and fire short-term employees without notice. Laying off longer-serving employees will involve significant costs.

**"There are minimum wages but they are not high and there's no requirement to pay a pension or vacation allowances."**

– Evert Rakers,  
TMF Group, Curaçao.

## 76 / THE CAYMAN ISLANDS

**Authorities have worked hard to ensure the Cayman Islands is a transparent and pro-business jurisdiction. This has helped it to achieve the lowest complexity score on our index. With its healthy economy, this is an easy place for foreign companies to operate.**

The government has implemented an online platform, significantly speeding up the process of tax reporting.

### Lines of communication

Financial businesses are supported by professional bodies which consult the Government, the Chamber of Commerce and regulators and communicate their findings to members. The Government is very engaged with the private sector and consults local businesses on draft laws before they are finalised.

**"The Cayman Islands has become a very transparent place in which to do business. It has a very stable economic and political environment with reliable infrastructure. The government is keen to keep the international community happy."**

– Lesley den Exter,  
TMF Group, the Cayman Islands.



# TMF GROUP – LOCALISING THE GLOBAL WORLD

TMF Group helps its clients operate internationally, ensuring they are properly set up to do business in any country, fully compliant with local and international regulations.

Our work includes helping companies of all sizes with business services such as HR and payroll, accounting and tax, corporate secretarial, global governance, administration and fiduciary services for capital markets activities, private equity and real estate investments. We offer consultancy services to extend our clients' capabilities and help companies deal with the complexities arising from growth and expansion.

In today's environment, increasing business complexity means that a one-size-fits-all approach doesn't work, while the penalties for getting it wrong are becoming heavier. Operating in over 80 jurisdictions, we provide 15,000 clients with on-the-ground compliance and administration services so they can venture further, faster. We keep things running seamlessly, enabling them to focus on the bigger picture.

Our people localise the global world to help businesses succeed, which in turn helps communities prosper. We believe the only way to be truly 'global' is to put local first, which is what our team of 7,800 in-country experts do for businesses of all sizes, every day.

Find out more about TMF Group:

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