INTERNATIONAL UHY STUDIES

2011

The network
for doing business

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I. About UHY

Urbach Hacker Young International was founded in 1986 by the UK firm Hacker Young (now UHY Hacker Young LLP) and US firm Urbach Kahn & Werlin (now the US group, UHY Advisors).

26 years on, UHY stands as a world leader in audit, accounting, tax and business advisory services, with a turnover of approximately £583 million.

UHY offers an exceptional competitive advantage - national capabilities are enhanced by global resources and an attentive personal service. The network's teams, who cover nearly 240 business centres in 78 countries, pride themselves on their ability to combine local knowledge with regional, national and international skills sets.

UHY brings together the expertise of their independent members, who are all highly regarded, professional and reputable firms in their own local markets. However, it is the UHY culture that really makes the difference for clients. The member firms know each other well; they are aware of each firm's specialist sector knowledge and about each other's individual expertise. Moreover members are familiar with each other on a personal level through meeting and working together regularly. It is this cohesiveness that differentiates UHY from other international networks.

Clients like working with UHY's approachable and down-to-earth individuals who can offer innovative and practical solutions for mid-market clients as well as established multinationals.

Globalisation and changing demographics have created new opportunities for both clients and member firms. The network's drive for professionalism, quality, integrity, innovation and our global reach have realised substantial growth for both us and our clients, who enjoy the significant competitive advantage of access to the expertise and knowledge of over 6300 professionals worldwide.

Our depth of experience and focus on small and medium-sized businesses has created the model partner network for the 21st Century.

II. Wide tax gaps among countries, study finds

Tax burden on high earners more than three times greater between highest and lowest taxed countries - Research by UHY, a Top 25 global accounting and consultancy network

Huge disparities now exist between high tax and low tax economies, according to UHY, the international accounting and consultancy network.

The tax burden on high earners varies by up to two and a half times between the highest and lowest taxed countries, highlighting just how wide the tax difference has become between 'low tax' emerging economies and the majority of 'high tax' European countries.

For example, analysing high earners (US$200,000 per annum) the difference in the amount of tax collected between the highest taxing country (Italy) and the lowest taxing (Russia) is US$65,811, which means that the same person in Italy would pay over three times more tax than the equivalent person in Russia.

According to UHY tax professionals, many countries use tax policy to attract and retain high-earning taxpayers as an important engine of economic growth and source of revenue. The research highlights the need for some countries to work harder to become more attractive to the highly compensated, an increasingly mobile group who may factor in tax burden when deciding domicile.

UHY tax professionals studied tax data in 19 countries across its international network, including all members of the G8 as well as key emerging economies. Tax professionals based in each country calculated 'take home pay' for low income (US$25,000 per annum) and high income (US$200,000 per annum) workers, which considered personal taxes and social security contributions. The calculations are based on a single, unmarried taxpayer with no children. The table (below) ranks countries from the highest tax burden first to the lowest tax burden last.

The G8 countries
Net pay after tax and social security per country (from lowest to highest)

	Salary after tax (based on gross pay of $25,000)			Salary after tax (based on gross pay of $200,000)		
Net pay after tax	**Germany**	$18,149	72.6%	**Italy**	$108,189	54.1%
	France	$18,750	75.0%	**Germany**	$111,953	56.0%
	Italy	$18,800	75.2%	**France**	$117,519	58.8%
	UK	$20,799	83.2%	**UK**	$121,819	60.9%
	Canada	$21,204	84.8%	**Canada**	$129,340	64.7%
	Russia	$21,750	87.0%	**USA**	$139,709	69.9%
	USA	$22,660	90.6%	**Japan**	$144,083	72.0%
	Japan	$22,704	90.8%	**Russia**	$174,000	87.0%

John Wolfgang, chairman of UHY comments: “What is surprising to us is the wide difference between countries in terms of tax burden placed on high earners. With the exception of Israel, the countries which tax high earners the most are EU members. The countries with the lightest tax burden on high earners – with the exception of Japan and the United States – are emerging economies.”

“Many governments are facing tough choices as they grapple with record deficits. Achieving a sustainable fiscal position will be difficult without raising taxes, which is a major political issue for many countries as they seek to strike a balance between fiscal responsibility and economic growth.”

Yan Krotov, partner of UHY Yans-Audit LLC in Russia, member of UHY comments: “Russia is unique among major economies in that employees pay a flat rate of income tax of 13%. In Russia much of the tax burden falls on employers instead, who have to pay social insurance for every employee up to a maximum of 34%. This means that for high earners in particular Russia is a very attractive country in which to be based. For those earning $200,000 per annum, the difference between the amount of tax paid in Russia and most other G8 economies is very significant.”

Paul Mencke, partner of Govers Accountants/Consultants in the Netherlands, member of UHY comments: “High earners in the Netherlands take home just 55% of their pay compared to 87% in Russia. That is a huge difference that could have serious consequences for our economic competitiveness. The high tax burden on high earners in the Netherlands is partly compensated by being able to offset interest on house mortgages against tax, for example, as well as incentives for foreign professionals. It is obvious that our tax system can be improved and simplified however.”

Christian Slota, Partner of UHY Wahlen & Partner in Germany, member of UHY says: “The reason why the ‘take home pay’ in Germany is lower than in other countries is due to the high social security contributions rather than a high tax rate. For a low income worker (US$25,000 per annum) the tax burden including solidarity surcharge is merely US$1,632. In Germany, a comprehensive social coverage is given by law. Everybody is obliged to pay the contributions. On the other hand, low income workers in Germany benefit from a (nearly) complete health insurance coverage.”

The UHY research reveals that (excluding Dubai), for low earners the difference in the amount of tax collected between the highest taxing country (Germany) and the lowest taxing (Ireland) is US$5,788, which means that a person earning US$25,000 per annum in Germany would pay over six times more in tax and social security than the equivalent person in Ireland.

All 19 UHY countries surveyed
Net pay after tax and social security per country in US dollars (from lowest to highest)

	Salary after tax (based on gross pay of $25,000)			Salary after tax (based on gross pay of $200,000)		
Net pay after tax	**Germany**	$18,149	72.6%	**Italy**	$108,189	54.1%
	India	$18,663	74.7%	**Netherlands**	$109,417	54.7%
	France	$18,750	75.0%	**Ireland**	$111,905	56.0%
	Italy	$18,800	75.2%	**Germany**	$111,953	56.0%
	Estonia	$19,518	78.1%	**Israel**	$112,363	56.2%
	Mexico	$20,534	82.1%	**France**	$117,519	58.8%
	UK	$20,799	83.2%	**UK**	$121,819	60.9%
	Egypt	$20,847	83.4%	**Spain**	$127,332	63.7%
	Brazil	$21,023	84.1%	**Canada**	$129,340	64.7%
	Netherlands	$21,087	84.3%	**Malaysia**	$137,128	68.6%
	Malaysia	$21,140	84.6%	**USA**	$139,709	69.9%
	Israel	$21,177	84.7%	**India**	$141,163	70.6%
	Canada	$21,204	84.8%	**Japan**	$144,083	72.0%
	Spain	$21,328	85.3%	**Mexico**	$146,377	73.2%
	Russia	$21,750	87.0%	**Brazil**	$148,088	74.0%
	USA	$22,660	90.6%	**Estonia**	$152,515	76.3%
	Japan	$22,704	90.8%	**Egypt**	$160,847	80.4%
	Ireland	$23,937	95.7%	**Russia**	$174,000	87.0%
	Dubai	$25,000	100.0%	**Dubai**	$200,000	100%

III. Corporate taxes vary widely between countries, study finds

Corporate tax burden more than three times greater in highest versus lowest taxed major economies - Research by UHY, a Top 25 global accounting and consultancy network .

Huge disparities now exist between countries on the amount of tax they take from businesses, according to UHY, the international accounting and consultancy network.

The tax burden on business profits can be more than three times greater in the highest versus the lowest taxed major countries - highlighting just how wide the tax gap is between 'low tax' emerging economies and the majority of 'high tax' developed nations.

For example, analysing highly profitable businesses (defined as making a pre-tax statutory profit of US$100 million per annum) the difference in the amount of tax collected between the highest taxing country surveyed (Japan) and the lowest taxing (Ireland) is US$29.5 million, which means that the same business in Japan would pay over three times more tax than the equivalent business in Ireland.

According to UHY tax professionals, many countries have been reducing their corporate tax rates in a bid to become more competitive and attract highly mobile multinational businesses. The research highlights the need for some countries to work harder to become more attractive to businesses, which are increasingly mobile and are less constrained by geography than at any time in history.

There are also a number of increasingly important economies, such as Dubai (UAE), that do not charge any corporate tax.

UHY tax professionals studied tax data in 21 countries across its international network, including all members of the G8, as well as key emerging economies. Tax professionals based in each country calculated post-tax profits for businesses making annual statutory pre-tax profits of US$100,000, US$1 million and US$100 million.

The G8 countries
Corporate tax payable per country in US dollars (highest to lowest)

Tax payable (assuming pre-tax profit of US$100,000)			Tax payable (assuming pre-tax profit of US$1 million)			Tax payable (based on statutory pre-tax profit of US$100 million)		
Germany	$32,450	32%	Japan	$419,900	42%	Japan	$41,990,000	42%
Italy	$31,400	31%	USA	$340,000	34%	USA	$35,000,000	35%
Japan	$31,106	31%	France	$333,333	33%	France	$34,397,363	34%
France	$23,350	23%	Germany	$324,500	32%	Germany	$32,450,000	32%
USA	$22,250	22%	Italy	$314,000	31%	Italy	$31,400,000	31%
Russia	$20,000	20%	UK	$238,337	24%	Canada	$29,187,384	29%
UK	$20,000	20%	Canada	$223,781	22%	UK	$26,000,000	26%
Canada	$15,500	16%	Russia	$200,000	20%	Russia	$20,000,000	20%

John Wolfgang, chairman of UHY comments: “The difference between countries in the amount of tax they take from business profits is quite staggering. It will shock many business leaders that, among the G8 countries, both the USA and Japan impose higher corporate taxes on some businesses than EU countries like France and Germany, which are traditionally seen as high tax economies.

“Most non-G8 countries now impose a flat rate of tax regardless of the amount of profit generated. Most of the G8 – the exceptions are Germany, Italy and Russia – have progressive tax models with the effective tax rate increasing with profits. While this allows them to help smaller companies to grow, it does make their tax systems more complex.

“High corporate taxes can deter business investment, which can hinder economic growth. Over the last decade, many EU countries have slashed corporate taxes, leaving some BRIC nations, such as Brazil and India, with surprisingly high tax in comparison.”

He adds: “Companies are increasingly mobile and are able to switch tax domicile with relative ease. This has put governments in a quandary, as they seek to boost tax revenues in order to shore up public finances. Many countries have opted to resolve this problem by increasing personal taxes while reducing corporate tax rates. Once a major economy slashes corporate tax rates, however, it puts pressure on others to take similar measures to remain competitive.”

Teruo Kawakami, Director of UHY Tax Corporation, member of UHY in Japan, which has the highest corporate tax rate in the G8, says: "A provision to reduce the corporate tax rate had been originally included in 2011 Tax Reform as part of measures to lessen the tax burden on businesses, but this was subsequently set aside. Another tax bill is currently under discussion in the Diet. The effective corporate tax rate of Japan will decrease by approximately 5% when the bill is approved by the Diet."

Alan Farrelly, Partner of UHY Farrelly Dawe White Limited, member of UHY in Ireland - which has one of the lowest corporate tax rates among the countries surveyed - says: "It is unlikely that the low corporate tax rate will rise, despite the need to shore up the public finances in Ireland. The low rate is considered a key strategy to maintaining Ireland's competitiveness in the Eurozone, especially given the ongoing economic climate in the EU. Ireland's strategy could be viewed as a test against which other economies will assess themselves when providing a response to the economic crisis."

Diego Moreira, technical director of UHY Moreira-Auditores in Brazil, member of UHY, comments: "Brazil's corporate tax rate is substantially higher than any other BRIC nation (Brazil, Russia, India and China). It is also higher than most developed nations, which is surprising. Perhaps a more competitive tax rate would help attract more international businesses to re-domicile in Brazil."

UHY's research reveals that (excluding Dubai and Estonia, which do not tax profits at all), for business with profits of US$100,000 per annum, the difference in the amount of tax collected between the highest taxing country (Brazil) and the lowest taxing (Ireland) is US$21,500, which means that a business in Brazil would pay nearly three times more tax on its profits than the equivalent business in Ireland.

All 21 UHY countries surveyed
Corporate tax payable per country in US dollars (highest to lowest)

Tax payable (assuming pre-tax profit of US$100,000)		
Brazil	$34,000	34%
Germany	$32,450	32%
Italy*	$31,400	31%
Japan	$31,106	31%
India	$30,900	31%
Mexico	$30,000	30%
Australia	$30,000	30%
China	$25,000	25%
Malaysia	$25,000	25%
Spain	$25,000	25%
Israel	$24,000	24%
France	$23,350	23%
USA	$22,250	22%
Netherlands	$20,000	20%
Russia	$20,000	20%
UK	$20,000	20%
Romania	$16,000	16%
Canada	$15,500	15.5%
Ireland	$12,500	12.5%
Dubai, UAE	$0	0%
Estonia	$0	0%

Tax payable (assuming pre-tax profit of US$1 million)		
Japan	$419,900	42%
USA	$340,000	34%
Brazil	$340,000	34%
France	$333,333	33%
Germany	$324,500	32%
India	$324,450	32%
Italy*	$314,000	31%
Australia	$300,000	30%
Mexico	$300,000	30%
Spain	$278,571	28%
China	$250,000	25%
Malaysia	$250,000	25%
Israel	$240,000	24%
UK	$238,337	24%
Netherlands	$235,714	24%
Canada	$223,781	22%
Russia	$200,000	20%
Romania	$160,000	16%
Ireland	$125,000	12.5%
Dubai, UAE	$0	0%
Estonia	$0	0%

Tax payable (based on statutory pre-tax profit of US$100 million)		
Japan	$41,990,000	42%
USA	$35,000,000	35%
France	$34,397,363	34%
Brazil	$34,000,000	34%
Germany	$32,450,000	32%
India	$32,445,000	32%
Italy*	$31,400,000	31%
Australia	$30,000,000	30%
Mexico	$30,000,000	30%
Spain	$30,000,000	30%
Canada	$29,187,384	29%
UK	$26,000,000	26%
China	$25,000,000	25%
Malaysia	$25,000,000	25%
Netherlands	$24,342,857	24%
Israel	$24,000,000	24%
Russia	$20,000,000	20%
Romania	$16,000,000	16%
Ireland	$12,500,000	12.5%
Dubai, UAE	$0	0%
Estonia	$0	0%

** For Italy the reported tax rate has been determined making some simplified assumptions; effective tax rate may be higher than the theoretical one indicated above.*

The calculations assume all exceptional gains and costs have been taken into consideration, as well as things like interest, the cost of stock options and goodwill amortisation. The tables (above) rank countries from the highest tax burden first to the lowest tax burden last.

III. Increase in business startups over 40 times faster in BRIC countries than other nations, study finds

Double digit growth in BRIC nations and many G8 countries creating fewer businesses now than five years ago - Research by UHY, a Top 25 global accounting and consultancy network.

The increase in new business startups is now on average 40 times faster in BRIC nations than other countries, according to UHY, the international accounting and consultancy network.

The research shows that BRIC nations are, on average, creating 18% more new businesses per annum compared to non-BRIC nations, which are, on average, creating just 0.4% more new businesses per annum.

UHY professionals studied data on new business registrations over the last five years in 19 countries across its international network, including the G8, as well as key emerging economies, including the BRIC nations (Brazil, Russia, India and China).*

According to UHY professionals, policymakers have been taking measures to encourage greater entrepreneurial activity during the financial crisis, but the research highlights the need for some countries to do more to help new business startups, which in many countries are struggling with low demand and restricted access to bank finance.

While in some countries the number of new businesses being created has increased by double digits over the last five years, in others the number of new business startups has decreased by a double digit percentage.

The country with the fastest increase is Russia, one of the so-called BRIC nations, which has seen a 25.6% annual increase in the rate at which new businesses are being created over the last five years. Nearly 3.2 million new businesses were registered in Russia in 2010, compared to 1.3 million in 2006.

The country which has seen the biggest slowdown in the rate of new business creation is Spain. The annual growth rate over the last five years is minus 14.6%. 76,622 new companies were created in Spain in 2010, compared to 143,859 in 2006.

The research reveals, however, that over the past year, the gap between BRIC and non-BRIC nations has narrowed. The increase in new business startups in 2010 was, on average, 3.3% for non-BRIC nations, compared to 18% for the BRIC countries.

Annual compound increase/decrease for business startups over the last five years (2006-10)		Increase/decrease for business startups 2009-10	
BRIC	18%	BRIC	18%
Non-BRIC	0.4%	Non-BRIC	3.3%
Russia	25.6%	Dubai	53.1%
France	21.5%	Russia	22%
Estonia	9.1%	China	20.8%
Brazil	7.2%	Australia	14.7%
China	6.9%	UK	10.6%
Australia	6.8%	Canada	10.5%
India	5.7%	France	6.7%
Netherlands	4.8%	Italy	6.5%
Canada	3.8%	Malaysia	6%
Malaysia	3.7%	Romania	5.9%
UK	-0.4%	Ireland	5.1%
Italy	-0.8%	India	4.7%
Romania	-2.4%	Japan	3.2%
Germany	-3%	Netherlands	3.1%
Dubai	-4.8%	Spain	2.1%
Japan	-6.2%	Germany	1.2%
U.S	-6.7%	Brazil	-0.7%
Ireland	-7.6%	U.S.	-7.8%
Spain	-14.6%	Estonia	-33.8%

John Wolfgang, chairman of UHY comments: "The difference in the rate at which new startups are being created is quite staggering, with the number of new incorporations decreasing for about half of the countries in our study. The BRIC nations are all in the top half of the table, while among the G8, only Canada, France and Russia have seen an increase in new startup formations over the last five years.

"Small businesses are often considered the engine of growth and employment and therefore critical to economic prosperity. Many governments – particularly in the West – are under pressure to increase tax revenues to reduce public deficits. Unlike large multinationals, which can shift economic activity to low tax jurisdictions, the tax burden falls disproportionately on small businesses.

"While just three out of the 19 countries surveyed continued to see a decrease in new startups over the last year, the concern now is what impact the ongoing eurozone crisis is having on new business creation. The uncertainty is almost certainly having a chilling effect."

He adds: "Governments can do more to encourage business startups. Many of the respondents to our study highlighted high taxes and complex employment regulations as barriers to growth for small businesses."

The research shows that, among the G8, France has the highest growth rate for business startups. This is due to a new structure for small companies called 'Auto Entrepreneur' which was introduced in 2009. These are micro businesses with turnovers under € 80,000 for industrial enterprises and under € 32,000 for services.

Auto Entrepreneur companies are exempt from business taxes for the first two years and have considerably lighter compliance requirements than other companies.

Franck Narquin, Partner of UHY GVA in France, a member of UHY, comments: "France has always been seen as a country in which it is quite difficult to start a business. The tax burden on businesses is high – particularly social security contributions – and employment law is restrictive. The Government has at least made steps in the right direction with the new Auto Entrepreneur programme, but much more needs to be done to increase competitiveness."

The research also reveals that the number of new startups in Dubai declined 4.8% from 2006-10, but jumped 53.1% in 2010 alone.

Rajiv Saxena, Managing Partner of UHY in UAE (Dubai) says: "Dubai suffered a severe property slump during the credit crunch, and a significant number of state-backed entities were forced to restructure their debt. Confidence in the economy has revived in the past year, however, political instability elsewhere in the Middle East has led to an influx of foreign businesses into Dubai."

Nikolay Litvinov, partner of UHY Yans-Audit LLC in Russia - which has the highest increase in startups - comments: "Russia is one of the few countries among the G8 to have recovered quite strongly from the financial crisis. Russia's abundance of natural resources has meant it has benefited greatly from the commodities boom in recent years. Our flat rate corporate tax rate of 20%, which is the lowest among the G8, has also helped to make Russia an attractive place to start a business."

Max Gosch, Partner of UHY's member firm, UHY Fay & Co in Spain, which has seen the largest decrease in startups – comments." Spain has suffered greatly from the global crisis and it has clearly affected the creation of startups. However, it is encouraging to see that the number of new businesses increased by 2.1% in 2010 so we would urge the government to take appropriate measures to ensure this momentum is not lost. These measures will need to focus on a reform on labour laws to make them more flexible, to create confidence in the country to attract foreign investment and to reopen bank funding to companies to enhance business activity as in Spain, like in other countries; small and medium-size companies are the key drivers of competition, growth and job creation"

* Figures obtained from official sources. In the majority of countries, data is only collected on incorporated entities. The five most recent years of data for each country was obtained, 2006 to 2010.

IV. Notes for Editors

About UHY

UHY is proud to celebrate its 25th Anniversary in 2011. Established in 1986 and based in London, UK, UHY is a network of independent accounting and consulting firms with offices in nearly 240 major business centres in 78 countries. Over 6,300 staff generated an aggregate income of US$583 million in 2010, ranking UHY the 23rd largest international accounting and consultancy network. Each member of UHY is a legally separate and independent firm. For further information on UHY and its individual member firms including those referred to in the above release can be accessed here www.uhy.com

UHY is a full member of the Forum of Firms, an association of international networks of accounting firms. For additional information on the Forum of Firms, visit www.forumoffirms.org

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