1 May, 2013

Issued on behalf of UHY by Mattison Public Relations

Developed nations continue to drag down businesses with higher corporation taxes than BRICs

- **Corporation taxes increasingly important battleground in bid to attract international business**
- **High corporation taxes risk suppressing growth in struggling economies**

Some developed nations are still dragging their economies down with far higher corporation tax rates than emerging economies, according to research by UHY, the international accounting and consultancy network.

On taxable profits of USD 1,000,000, the G7* group of developed economies takes an average of 32.6% of corporate profits in tax, compared to an average of 30.3% in the BRIC** economies.

UHY says that comparatively high corporation tax rates put businesses in developed economies at a serious disadvantage compared to those based in emerging markets, and risk suppressing economic growth in developed economies.

Ladislav Hornan, Chairman of UHY, says: “Corporation taxes are a significant burden for businesses, and that burden is far higher in developed economies than in emerging markets. High corporation taxes mean businesses in developed economies cannot compete on a level playing field, suppressing growth in economies that are already struggling.”

“The low corporation tax rates in emerging markets or lower-tax economies mean businesses can plough much more of their profits back into business or product development. More investment and lower costs can give businesses in places like China a competitive advantage on price and product quality when it comes to exporting to developed economies or competing with imports.”

Ladislav Hornan adds: “The benefits of being based in a developed economy – better infrastructure and well-established supply chains – count for less and less as emerging economies improve their infrastructure, tax systems, and business communities.”

“As emerging economies catch up to developed economies, the disadvantages of developed economies – more red tape and higher taxes – increasingly stand out. Without action on the kinds of things that suppress growth, such as overly complex regulation or high taxes, businesses based in developed economies will begin to look closely at relocating.”

UHY tax professionals studied tax data in 26 countries across its international network, including all members of the G7, as well as key emerging economies. UHY calculated the corporation taxes due on taxable profits of USD100,000 and USD1,000,000

UHY says that, of the countries included in the study, Japan charges the highest taxes on corporate profits of USD 100,000 (43%). The UAE charges no tax on corporate profits, while the Irish government takes just 12.5% of corporate profits in tax.

The average global tax on profits of USD 100,000 is 25.4%, while the BRIC average is 27.8%, and the G7 average is 30.2%.

The average global tax on profits of USD 100,000 is 25.6%, while the BRIC average is 27.8%, and the G7 average is 30.2%.

Ladislav Hornan says: “There are some emerging economies with high corporation taxes, such as India. However, these countries support their businesses in other ways. India, for example, has exceptionally low taxes on employment.”

“Outside of the BRICs, corporation taxes in emerging markets such as eastern European countries or in Malaysia are much lower than average.”

UHY adds that some G7 countries have taken steps to reduce their corporation tax rate.

Ladislav Hornan says: “Japan, Canada, and the UK have all recognised the importance of cutting the headline corporation tax rate, with each country cutting their rate in the last year – although Japan still has the highest corporation tax rate in the G7.”

“Cutting the headline corporation tax rate rather than trying to boost competitiveness through introducing new reliefs has several advantages for both business and government.”

Ladislav Hornan explains: “Introducing new tax reliefs will benefit some businesses, but they introduce added complexity to the tax system. This creates new burdens for businesses as they work out which reliefs they can and can’t qualify for, and it creates scope for disputes with tax authorities.”

“Businesses will base their decision on where to have their tax base on a range of factors, but cuts in the headline corporate tax rate can send a strong, clear signal to businesses that a government is ‘business-friendly’.”

Recent UHY studies have found G7 countries lagging behind BRIC countries on a range of business and tax burdens.

One UHY study in 2012 found that G7 countries took an average of 29.7% of their GDP in tax, while BRIC countries took an average of 27.7%.

An earlier 2013 study on employment taxes found that G7 employers paid an average added 23.8% of an employee’s USD 75,000 salary in social security contributions, compared to 22% for an employer in a BRIC economy.

Roisin Duffy, Tax Director at UHY Farrelly Dawe White Limited in Ireland, a member firm of UHY, says: “Despite the difficult financial situation the government is in, it has fought hard to maintain a very low headline rate of corporation tax. This is a major factor in helping attract and keep major global companies like Google and Facebook in Ireland.”

Andrea D’Amico of FiderConsult Srl, member firm of UHY in Italy, says: “Italian businesses are struggling under a high tax and regulatory burden. Whether it is employment taxes, taxes on profits, or bureaucracy, Italy does not compare well to either developed or developing economies. It’s important that the Government take urgent measures to address this. Cutting the headline corporate tax rate would be a step in the right direction.”

Rajiv Saxena, Managing Partner at UHY UAE and member of UHY in the UAE, says: “Businesses in the UAE benefit from a very generous tax regime. Business activities attract very little, or, more often than not, no tax charge. The low costs of doing business have helped turn the UAE into a major global business hub.”

Value of tax charged on taxable corporate profits of $100,000 and $1,000,000 in 2012-13

#	Country	USD 100,000		Country	USD 1,000,000	
1	Japan††	$ 43,020.91	43.02%	India	$ 434,041.00	43.40%
2	India	$ 42,110.00	42.11%	Japan††	$ 410,945.41	41.09%
3	Argentina	$ 35,000.00	35.00%	USA††	$ 400,000.00	40.00%
4	France	$ 33,330.00	33.33%	Argentina	$ 350,000.00	35.00%
5	Germany	$ 32,450.00	32.45%	France	$ 333,300.00	33.33%
6	Italy	$ 32,320.00	32.32%	Brazil†	$ 327,778.49	32.78%
7	Nigeria	$ 32,000.00	32.00%	G7	$ 326,328.60	32.63%
-	G7	$ 30,238.70	30.24%	Germany	$ 324,500.00	32.45%
8	Australia	$ 30,000.00	30.00%	Italy	$ 323,200.00	32.32%
9	Mexico	$ 30,000.00	30.00%	Nigeria	$ 320,000.00	32.00%
-	BRIC	$ 27,777.50	27.78%	BRIC	$ 302,954.87	30.29%
10	Canada††	$ 26,500.00	26.50%	Australia	$ 300,000.00	30.00%
-	All	$ 25,592.70	25.59%	Mexico	$ 300,000.00	30.00%
11	Spain	$ 25,000.00	25.00%	Spain	$ 280,446.09	28.04%
12	Israel	$ 25,000.00	25.00%	All	$ 269,889.54	26.88%
13	China	$ 25,000.00	25.00%	Canada††	$ 265,000.00	26.50%
14	Malaysia	$ 25,000.00	25.00%	Israel	$ 250,000.00	25.00%
15	Denmark	$ 25,000.00	25.00%	China	$ 250,000.00	25.00%
16	Austria	$ 25,000.00	25.00%	Malaysia	$ 250,000.00	25.00%
17	USA††	$ 24,050.00	24.05%	Denmark	$ 250,000.00	25.00%
18	Brazil†	$ 24,000.00	24.00%	Austria	$ 250,000.00	25.00%
19	Slovakia	$ 23,000.00	23.00%	Netherlands	$ 236,964.06	23.70%
20	Netherlands	$ 20,000.00	20.00%	Slovakia	$ 230,000.00	23.00%
21	UK	$ 20,000.00	20.00%	UK	$ 227,354.77	22.70%
22	Russia	$ 20,000.00	20.00%	Russia	$ 200,000.00	20.00%
23	Czech Republic	$ 18,997.77	19.00%	Czech Republic	$ 189,997.09	19.00%
24	Romania	$ 16,000.00	16.00%	Romania	$ 160,000.00	16.00%
25	Ireland	$ 12,500.00	12.50%	Ireland	$ 125,000.00	12.50%
26	UAE	$ -	0.00%	UAE	$ -	0.00%

*USA, Canada, Japan, UK, France, Germany, Italy
** Brazil, Russia, India, China
†Rate may vary depending on revenue reported by company
†† Includes local or state level taxes

Notes for Editors

About UHY
Established in 1986 and based in London, UK, UHY is a network of independent accounting and consulting firms with offices in over 270 major business centres in 86 countries. Over 7,100 staff generated an aggregate income of USD622 million in 2012, ranking UHY the 25th largest international audit, accounting, tax and consultancy network (by revenue). Each member of UHY is a legally separate and independent firm. For further information on UHY please go to 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

END

Press enquiries:

For UHY, the international network
Dominique Maeremans
+44 20 7767 2621, or email: d.maeremans@uhy.com

Nick Mattison or Nick Cosgrove
Mattison Public Relations
+44 20 7645 3636 or +44 7963 496 144 or nick.cosgrove@mattison.co.uk