

Paying Taxes – Case assumptions

The paying taxes indicators record the taxes and mandatory contributions that a standardized case study firm (**a medium-size company**) must pay in a given year and also measure the administrative burden of paying taxes and contributions.

General Description of the Company

<i>Start of operations:</i>	The company (TaxpayerCo.) started operations 2 years ago, on January 1, 2017. On that date, the company bought all its assets and hired all its employees.
<i>Year of assessment:</i>	January 1, 2018–December 31, 2018
<i>Type and location:</i>	TaxpayerCo. is a taxable corporation and operates in a typical manufacturing location in the largest business city in the country – in Vientiane . The company is liable for taxes levied at the local, state/provincial and national levels. Please consider taxes at all levels when completing the questionnaire. TaxpayerCo. does not qualify for investment incentives or any special benefits apart from those related to the age or size of the company
<i>Ownership:</i>	The company is 100% domestically and privately owned; that is, it has no foreign or state ownership. The company has 5 owners, none of whom is a legal entity.
<i>Sales:</i>	LAK 10,951,173,774
<i>Capital:</i>	The company's capital has not changed since the company was created.
<i>Accounting rules:</i>	Accounting is compliant with generally accepted accounting principles, or GAAP (local or international, depending on your national laws). This includes, for example, the International Financial Reporting Standards/International Accounting Standards (IAS/IFRS) regime, if applicable to your country.
<i>Type of operation:</i>	TaxpayerCo. performs general manufacturing and commercial activities: it produces ceramic flowerpots and sells them at retail. All its transactions are purely domestic, and it does not handle any products subject to a special tax regime, such as liquor or tobacco.

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Specific Assumptions and Definitions

<i>Mandatory tax books and records:</i>	In the course of the financial year, companies are required to maintain various books and records for accounting and audit purposes. These books are often also used for preparing tax computations and completing tax returns. In some cases, tax laws or tax authorities may also require companies to keep additional books and records specifically for tax purposes—books and records that are over and above those kept for the accounting and audit processes and that are not required for the financial reporting processes. The questionnaire's sections on compliance time include an entry under each of the 3 tax categories for time related to maintaining mandatory tax books and records. Please disregard in those entries any time spent on books and records that are also used for financial accounting or audit purposes. Please only include time associated with additional books and records specifically required for tax purposes.
<i>Employees:</i>	The company has 60 employees: 4 managers, 8 assistants and 48 workers. All the employees were hired on the same day: January 1, 2017. No employee has left the company and no new employee has joined the company since January 1, 2017. One of the managers is also an owner. All employees at any given level earn the same wage as others at their level. All employees are nationals and male. Each employee is married with 2 pre-teen children and has no other significant source of income. Each is a single wage earner (spouse has no income).
<i>Social security contributions and payroll taxes:</i>	Please include all social security contributions and payroll taxes paid by the employer for each category of employees on the wages and salaries paid by the company. These taxes may be referred to by different terms in different economies. These taxes and contributions should be split between those that are a cost to the employer and those that are withheld by the employer on behalf of the employee.
<i>Other labor taxes or mandatory contributions:</i>	In this category include all other labor taxes and social contributions paid by the company, withheld by the company from employees' pay or paid directly by the employees. Please keep in mind that these can be collected by different levels of government. Please include all government-mandated contributions even if paid to nongovernment entities (e.g., compulsory guarantees and insurance paid to third-party agencies).
<i>Land:</i>	On January 1, 2017, the company began operations owning 2 plots of land, each with an area of 557.4 square meters (6,000 square feet). In early January 2018, plot number 2 was sold. Any property transfer tax due on the sale needs to be listed in Section C.1. If there is a stamp duty or any other taxes/fees payable on the sale contract, please include these taxes/fees as well.

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Specific Assumptions and Definitions (continued)

<i>Building:</i>	The building where production and storage take place, located on land plot 1, was originally 929 square meters (10,000 square feet). It was expanded in 2018 with half the proceeds from the sale of land plot 2.
<i>Truck:</i>	The company owns a truck that is used to ship products to customers and is classified as a nonluxury, medium-size unit. This truck covers on average 80,000 km (50,000 miles) a year and weighs 15,300 kilos (34,000 pounds) when loaded. In addition to this, the company also leases one truck.
<i>Capital gains:</i>	At the beginning of the second year of operation (2018), the company sells a plot of land (land plot 2) that it had owned for 12 months at a price 20% higher than the original cost of the land plot. Please indicate whether there is a capital gains tax separate from corporate income tax. Please note that half of the proceeds from this sale are reinvested in assets (by expanding the existing building).
<i>Dividends:</i>	In the second year of operation (2018), the company distributes 50% of its profits to its owners. The dividends are paid in cash. The other 50% of profits are kept as retained earnings. Please provide any dividend tax borne by the company in this transaction. If the company merely withholds tax on paying shareholders, EXCLUDE this withheld dividend tax.
<i>Fuel expenses:</i>	TaxpayerCo. purchases vehicle fuel and therefore should pay fuel tax (if applicable). Fuel tax may be embedded in the price of fuel paid at the pump.
<i>Environmental duties:</i>	TaxpayerCo. produces 2 tons of nontoxic waste a month and therefore must pay the tax or other duties (if any) associated with waste production.

Paying Taxes – what does it measure?

Postfiling index (18.57-100)		Answer	Score
VAT refunds	Does VAT exist?	Yes	
	Does a VAT refund process exist per the case study?	No	
	Restrictions on VAT refund process	Restricted to international traders and others	
	Percentage of cases exposed to a VAT audit (%)	Not applicable	
	Is there a mandatory carry forward period?	No	
	Time to comply with VAT refund (hours)	No VAT refund per case study scenario	0
	Time to obtain a VAT refund (weeks)	No VAT refund per case study scenario	0
Corporate income tax audits	Does corporate income tax exist?	Yes	
	Percentage of cases exposed to a corporate income tax audit (%)	50% - 74%	
	Time to comply with a corporate income tax correction (hours)	16.0	73.39
	Time to complete a corporate income tax correction (weeks)	31.7	0.89

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Thank you!