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INDONESIA RANKED AS WORLD'S MOST COMPLEX PLACE TO DO BUSINESS – WHILE US NOW SEEN AS ONE OF THE EASIEST

The international business landscape is more complex than ever, according to the latest annual Global Business Complexity Index (GBCI) by professional services firm TMF Group – with COVID-19 adding a significant economic and social layer.

Indonesia is ranked as the most complex place to do business in this year's report, which once again analyses key areas of business administration and compliance across 77 jurisdictions, from the time it takes to incorporate, to changes in tax legislation, to policies around wages and benefits, through to the challenges of opening a bank account. In all over 250 different criteria are factored into this year's rankings.

Six of the ten most complex places are countries in South America, with Brazil, Argentina and Bolivia ranked 2nd, 3rd and 4th. Greece, which occupied top spot last year, has made some improvements, and is now ranked 5th most complex this year.

On the other end of the scale, the ten least complex jurisdictions to set up or operate in are those found in the Western hemisphere, with Curacao leading the way, followed by the United States of America, Jamaica, Denmark and the British Virgin Islands.

One of three factors identified as shaping this year's ranking is the ongoing complexity that multinationals face in meeting both international regulations and local ones, and the juxtapositions that often exist between those. International trends are driving global standardisation but local practices persist, and are even increasing in some jurisdictions.

A large majority of jurisdictions remain committed to international regulations in some form, the report shows, particularly for transparency and reporting frameworks. Just like in 2019, eight in ten jurisdictions are committed to the Common Reporting Standard, an OECD initiative that makes sharing account data between financial institutions across borders more transparent. Similarly, there has been an upsurge in Ultimate Beneficial Owner registers, with 68% now having a UBO register, up from 64% in last year.

But there are limits to this internationalisation. Many countries – especially those in Asia Pacific and South America – require at least one of the firm's directors to be a local resident, for example, and many (68%) have rules in place restricting the hiring of foreign workers.

Further to that, there is a minefield of local variations that multinationals need to navigate globally, including regular legislative changes that they need to keep on top of. In Greece there are about 70 new tax laws introduced every year, which are applied retroactively to the start of the calendar year, and companies looking to operate there are forced to retrofit their accounts and tax submissions to comply with these changes. To add to that, many governments have taken reactive measures to protect their economies as a result of the COVID-19 pandemic, and fast-tracked new legislations to support local businesses, not least extensive travel restrictions.

In terms of tax collection, while there is a significant convergence on the types of tax collected globally, there are significant local variations around the rate of tax, even within the jurisdictions themselves. In China, for example, some regions can deviate from national government policy and charge a lower corporation tax to attract investment, such as the six provinces of the Western Regions, where corporation tax is charged at 15% rather than the fixed national rate of 25%.

Another factor that has pushed and pulled jurisdictions up and down the GBCI ranking is how each has responded to the modernisation of legislative frameworks. From an HR perspective, the report shows there has been a growth in more 'progressive' employee benefits packages, with 91% of jurisdictions now mandating a minimum wage, as opposed to 89% last year, and paid vacation now a legal requirement in 88% of places, compared to 84% last year. These are seen to reflect a more modern commitment to protecting workers' livelihoods and pay by those jurisdictions.

By contrast though, many jurisdictions are holding on to customs and practices rooted in tradition, which can add extra layers of complexity, with that traditional approach increasing in some areas. For example, 43% of jurisdictions still require documents to be marked with a stamp, chop or seal in order to be rendered legally-binding, although this has decreased from 46% in 2019, with Argentina, Malaysia and Hong Kong having removed that requirement over the past year. But, in 86% of jurisdictions – including Israel, Malta and the Netherlands – official documents need to be submitted in local language, a significant increase on the 74% last year.

The final piece highlighted as a factor in terms of ease of doing business is the level of technology adoption. The analysis shows an increasing number of jurisdictions allowing business processes to be digitised and conducted online, reducing bureaucracy and the burden on businesses. One manifestation of that extra efficiency is in the time it takes to incorporate. In most jurisdictions, incorporation can take place within weeks, but in others the process takes significantly longer because of factors such as the need to obtain wet signatures and a lack of technological fluency. In some South American jurisdictions, such as Argentina and Venezuela, it takes more than three months on average, compared to Curaçao where businesses can be incorporated within a day.

TMF Group CEO Mark Weil said: "Understanding international business complexity is essential, even more so during these challenging times. A complex country can constrain business success or can discourage investment entirely; on the other hand, simplicity of operation can encourage investment in a jurisdiction that would not otherwise be competitive.

"This year's index shows that among the biggest contributory factors influencing that global landscape is how jurisdictions are responding to trends driving standardisation across different operational frameworks, and the continuing growth of technology and digital practices as part of that. Any government looking to looking to put its stake in the ground as an attractive place to do business would do well to take note of those – and any business looking to take advantage to ensure they can address the complexities of meeting all the rules of engagement both locally and globally."

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