

Doing Business 2011

Germany

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org

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Doing Business 2011
Business Reforms

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Germany. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

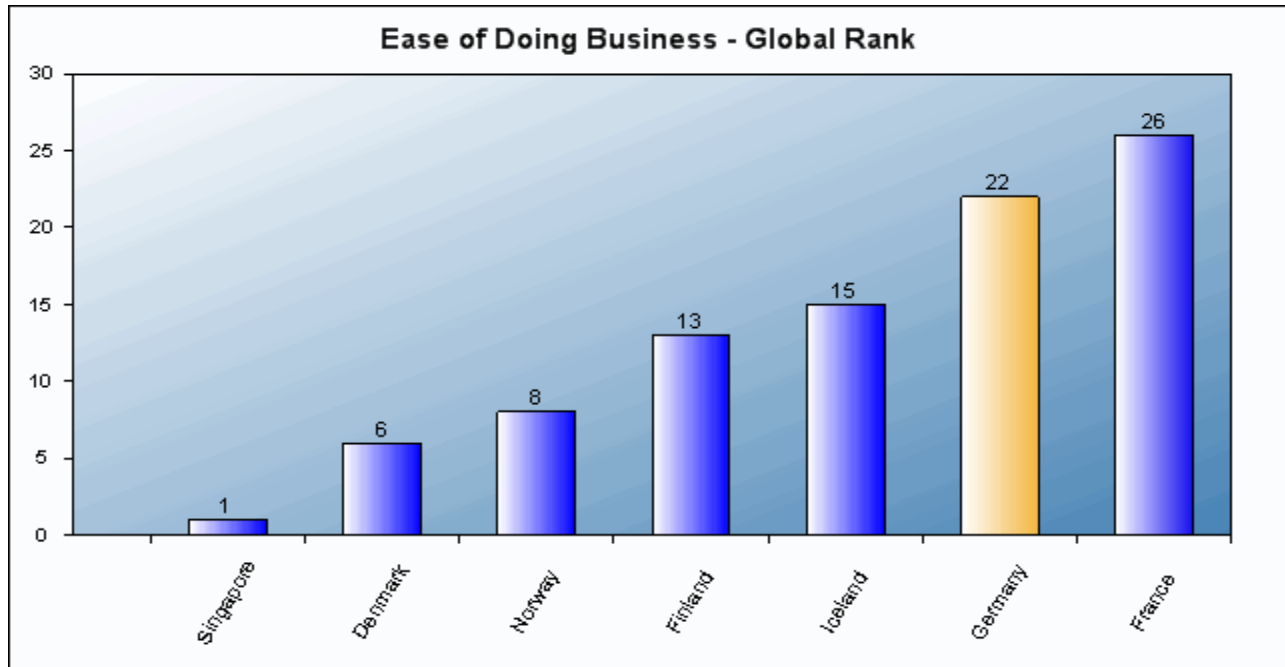
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Germany is ranked 22 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Germany - Compared to global good practice economy as well as selected economies:



Germany's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	22
Starting a Business	88
Dealing with Construction Permits	18
Registering Property	67
Getting Credit	15
Protecting Investors	93
Paying Taxes	88
Trading Across Borders	14
Enforcing Contracts	6
Closing a Business	35

Summary of Indicators - Germany

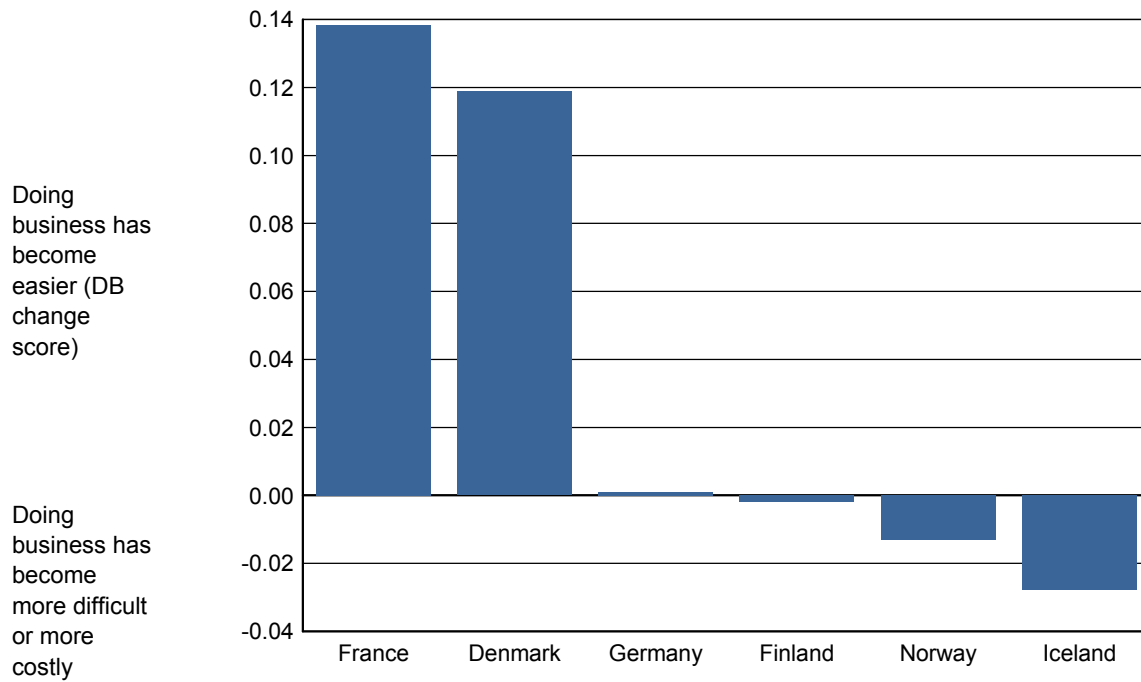
Starting a Business	Procedures (number)	9
	Time (days)	15
	Cost (% of income per capita)	4.8
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	12
	Time (days)	100
	Cost (% of income per capita)	61.8
Registering Property	Procedures (number)	5
	Time (days)	40
	Cost (% of property value)	5.1
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	1.0
	Private bureau coverage (% of adults)	98.4
Protecting Investors	Extent of disclosure index (0-10)	5
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	5
	Strength of investor protection index (0-10)	5.0
Paying Taxes	Payments (number per year)	16
	Time (hours per year)	215
	Profit tax (%)	23.0
	Labor tax and contributions (%)	22.0
	Other taxes (%)	3.3
	Total tax rate (% profit)	48.2
Trading Across Borders	Documents to export (number)	4
	Time to export (days)	7
	Cost to export (US\$ per container)	872
	Documents to import (number)	5
	Time to import (days)	7
	Cost to import (US\$ per container)	937

Enforcing Contracts	Procedures (number)	30
	Time (days)	394
	Cost (% of claim)	14.4
Closing a Business	Recovery rate (cents on the dollar)	53.1
	Time (years)	1.2
	Cost (% of estate)	8

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators-such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

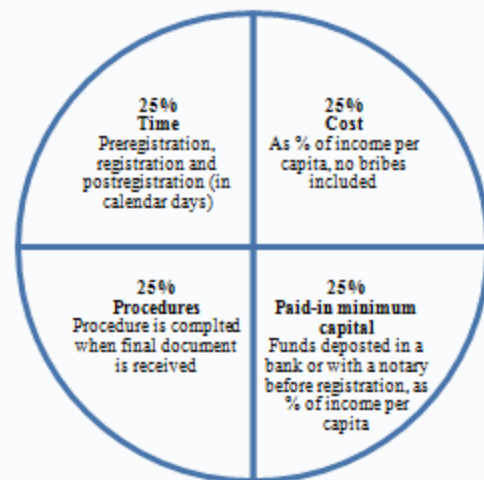
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

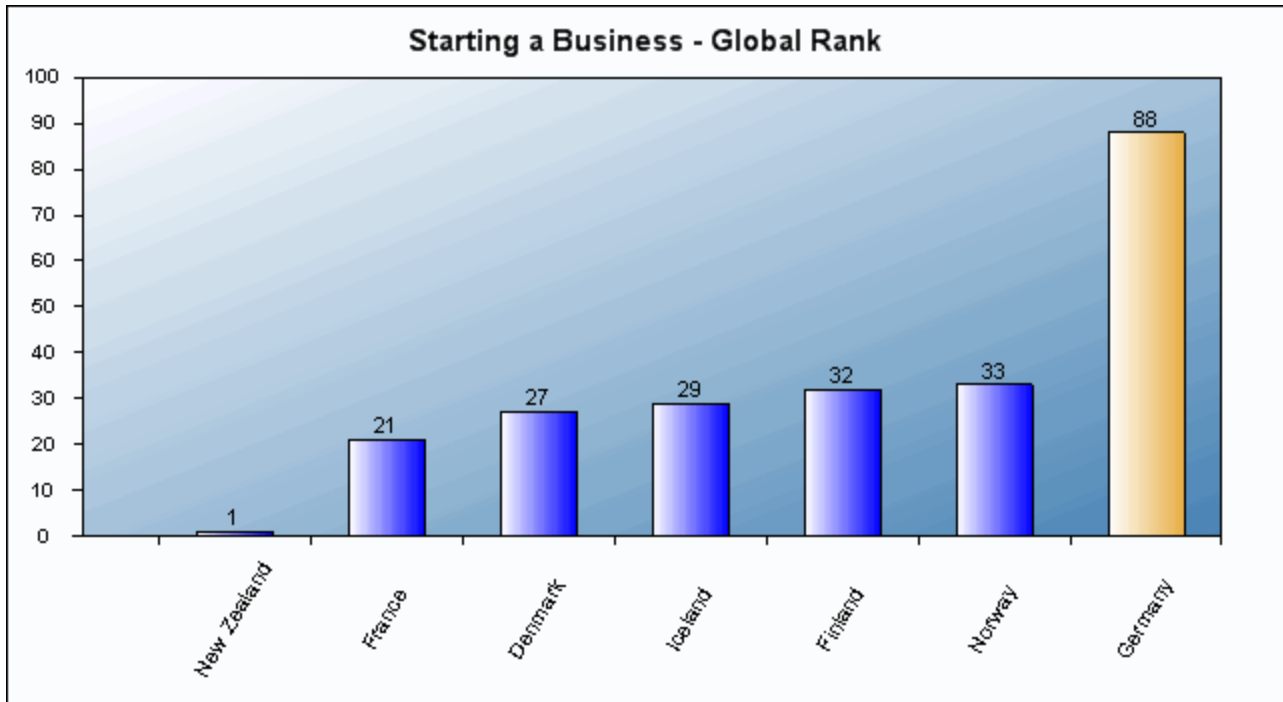
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Germany is ranked 88 overall for Starting a Business.

Ranking of Germany in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Germany compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Germany	9	15	4.8	0.0

<i>Comparator Economies</i>				
Denmark	4	6	0.0	26.0
Finland	3	14	1.1	7.9
France	5	7	0.9	0.0
Iceland	5	5	2.3	12.0
Norway	5	7	1.8	20.0

* The following economies are also good practice economies for :

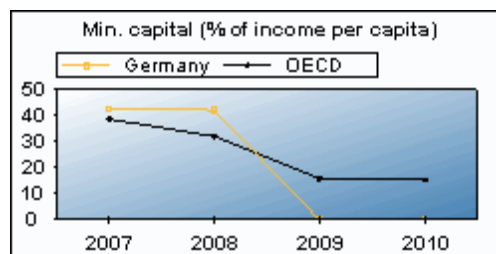
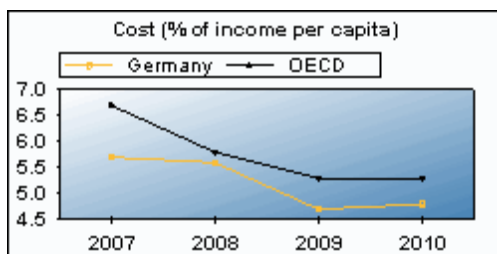
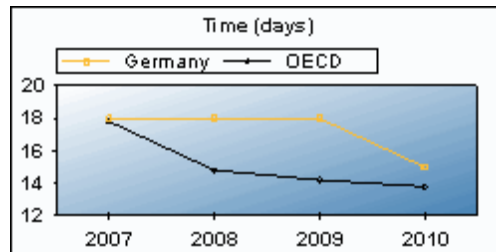
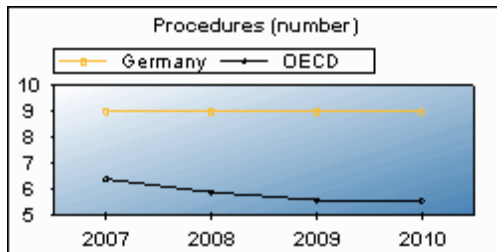
Procedures (number): **Canada**

Cost (% of income per capita): **Slovenia**

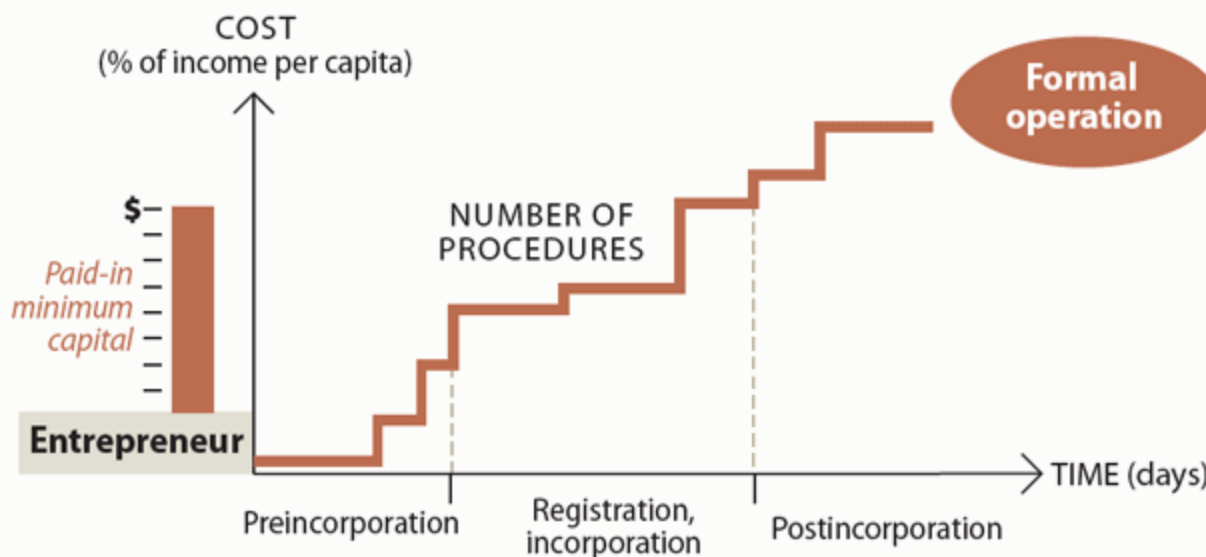
2. Historical data: Starting a Business in Germany

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	84	88
Procedures (number)	9	9	9	9
Time (days)	18	18	18	15
Cost (% of income per capita)	5.7	5.6	4.7	4.8
Min. capital (% of income per capita)	42.8	42.2	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Germany over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Germany.

STANDARDIZED COMPANY

Legal Form: Unternehmersgesellschaft (haftungsbeschränkt)

: UG

City: Berlin

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Clear the name of company at the local chamber of industry and commerce	1	no charge
2	A notary notarizes the articles of association and memorandum of association	1	EUR 1,044
3	Open a bank account	1	no charge
4	Notary public files the articles of association with the local commercial register, kept at local courts	7	EUR 361
5	Notify the local office of business and standards of the establishment of the company	3	EUR 31
6	* Register with the professional association of the relevant trade	1	no charge
7	* Notify the local labor office of the establishment of the company	1	no charge

8	* Register employees for health and social insurance	1	no charge
<hr/>			
9	* Mail out the documentation to the Tax Office	1	no charge
<hr/>			

* Takes place simultaneously with another procedure.

Starting a Business Details - Germany

Procedure 1 Clear the name of company at the local chamber of industry and commerce

Time to complete: 1

Cost to complete: no charge

Comment:

Procedure 2 A notary notarizes the articles of association and memorandum of association

Time to complete: 1

Cost to complete: EUR 1,044

Comment: The fees depend on value of the share capital, with a basic 10/10 fee calculated as follows:

- Up to EUR 1,000: fee is EUR 10.
- From EUR 1,000 to EUR 5,000: fee of EUR 8 is added for each EUR 1,000 of share capital.
- From EUR 5,000 to EUR 50,000: fees of EUR 6 are added for each EUR 3,000 of share capital.
- From EUR 50,000 to EUR 5,000,000: fees of EUR 15 are added for each EUR 10,000 of share capital.

If more than one contract partners (shareholders) are involved, the German Cost Regulation Act provides for a double fee (so-called "20/10-fee" / "20/10-Gebühr"), which amounts to EUR 1,014.

Procedure 3 Open a bank account

Time to complete: 1

Cost to complete: no charge

Comment: In-kind contributions must be made in full. Capital must be paid in to the free disposition of the management. Capital cannot validly be deposited before the notarization of the articles of association.

Procedure 4 Notary public files the articles of association with the local commercial register, kept at local courts

Time to complete: 7

Cost to complete: EUR 361

Comment: Applicants must submit to the Commercial Register in electronic form, among other documents (a) the notarized articles of association; (b) the deed of appointment of the directors, if not included in the articles; (c) a list of the company's shareholders; and (d) the assurance that the statutory minimum paid-in capital has been paid in to the free disposition of the management.

Pursuant to the applicable registration laws, the Commercial Register must decide on the company's registration without undue delay. The Commercial Register publishes the registration on a central electronic platform (www.handelsregister.de).

Costs to file the articles of association with the local Commercial Register include the following:

- Notary fees for registration are half the fees for the notarization of the articles and foundation agreement. No extra notary fees apply if the notarization and filing of the articles of association (by notary public) are combined. The applicable fees amount to a quarter of the fees set forth under Procedure 2 when the notary used in proc 2 differs from the one of proc 4. All amounts are plus 19% VAT. If the application for registration is notarized together with the articles of association, the notarization of the application does not trigger any additional fees.
- Registration fees with local court: EUR 100 (if in-kind capital contributions, the statutory registration fee amounts to EUR 150).

Since the law on registration fees and procedures (Handelsregistergebühren Neuordnungsgesetz HRegGebNeuOG) which became effective as of December 1, 2004:

- According to Article 3 of HRegGebNeuOG, a decision on the company's registration is to be made within a month of the company filing for registration.
- Court registration fees have been lowered (Article 1 of HRegGebNeuOG). Fees are no longer calculated on the basis of start-up capital and are set to fixed amounts. The registration of a new GmbH incurs fees of EUR 100 if the capital contributions are made in cash and EUR 150 if part or all are made in kind.

The Act on the Maintenance of Electronic Commercial Registers, Cooperative Registers, and the Companies Register (Gesetz über elektronische Handelsregister und Genossenschaftsregister sowie das Unternehmensregister, EHUG—effective January 1, 2007) implemented an electronic registration and publication platform for the Commercial Register. As a result, registration with the Commercial Register is no longer announced in the Federal Gazette (Bundesanzeiger), but instead in the electronic Commercial Registry. Fees for publication in the Federal Gazette thus no longer apply. The Commercial Register notifies the local Chamber of Industry and Commerce and the tax office of the new company.

Procedure 5 Notify the local office of business and standards of the establishment of the company

Time to complete: 3

Cost to complete: EUR 31

Comment: While certain businesses (e.g., restaurants, brokers) must apply for a trading permit (Gewerbeerlaubnis), all other startup companies must simply notify the local Office of Business and Standards (Gewerbeamt), which issues the company a trading license (Gewerbeschein). This notification procedure also covers registration formalities with the central statistical office, the relevant chamber of industry and commerce, the local labor office, and the social security and federal health insurance office.

Procedure 6 Register with the professional association of the relevant trade

Time to complete: 1

Cost to complete: no charge

Comment: The professional associations are carriers of occupational accident insurance. Registration must be done within a week of the founding of the business (that is, the notarization of the articles of association).

Procedure 7 Notify the local labor office of the establishment of the company

Time to complete: 1

Cost to complete: no charge

Comment: The registration can be informal, both in writing and by phone. The Labor Office then assigns an eight-digit operating number, which is needed to report social security.

Procedure 8 Register employees for health and social insurance

Time to complete: 1

Cost to complete: no charge

Comment: The social security and federal health insurance office notifies the local labor office and the annuity insurance carrier (Deutsche Rentenversicherung Bund). The competent social security and federal health insurance office collects payment for mandatory health, unemployment, and annuity insurance.

Procedure 9 Mail out the documentation to the Tax Office

Time to complete: 1

Cost to complete: no charge

Comment: Registration must be done within a month of the opening of the business, and not later than a month of the notarizing of the articles of association. After the tax office is notified of the company's business activity by the trade office, the tax office sends the company a questionnaire requesting the company's business data.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

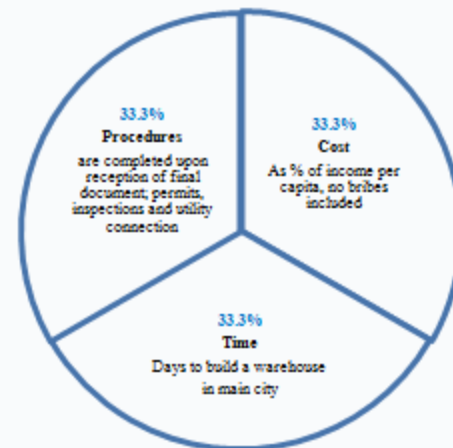
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

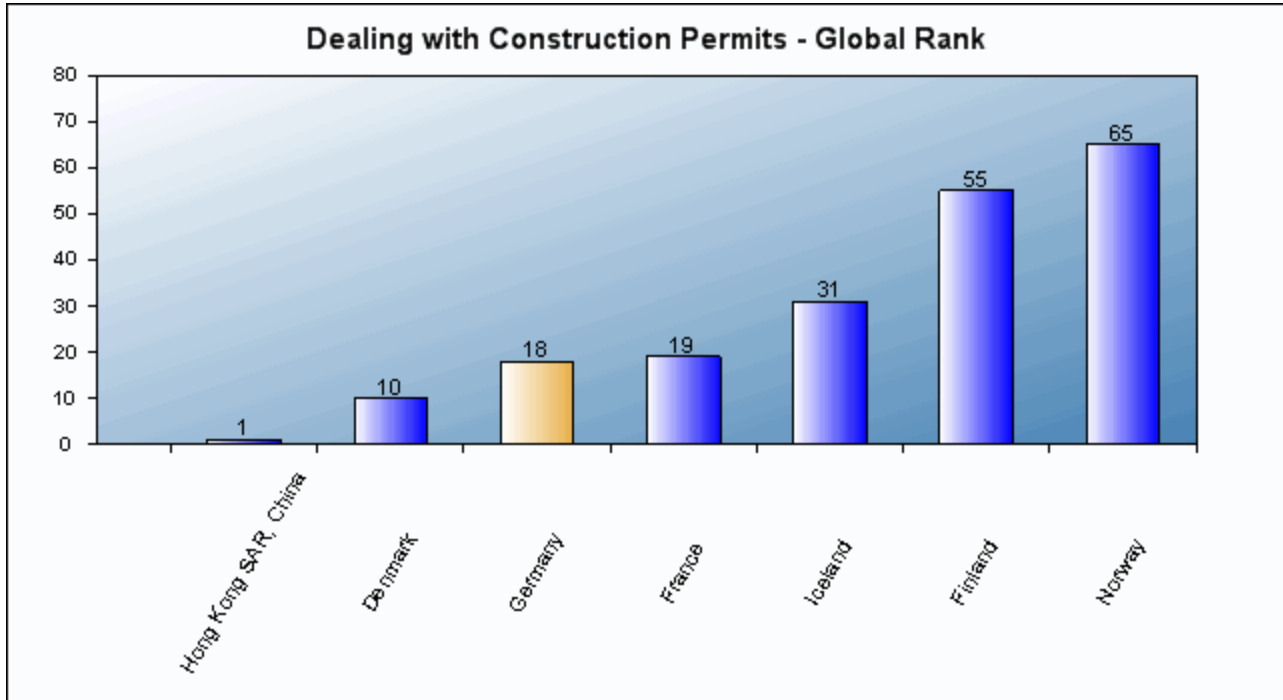
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Germany is ranked 18 overall for Dealing with Construction Permits.

Ranking of Germany in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Germany compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

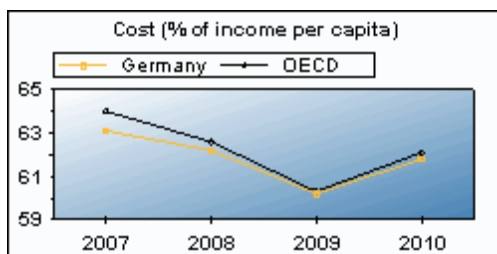
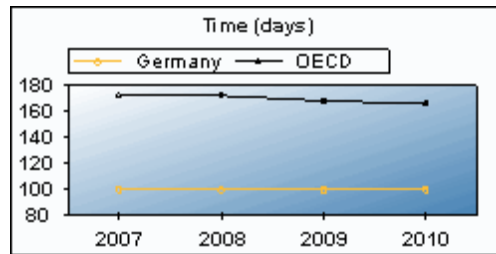
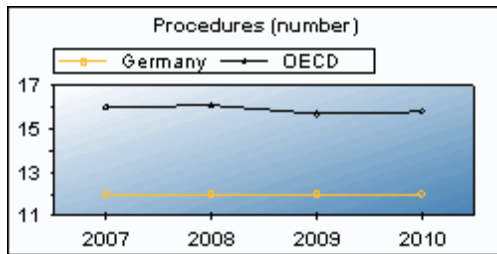
<i>Selected Economy</i>			
Germany	12	100	61.8

<i>Comparator Economies</i>			
Denmark	6	69	61.7
Finland	18	66	134.2
France	13	137	23.6
Iceland	18	75	19.6
Norway	14	252	43.8

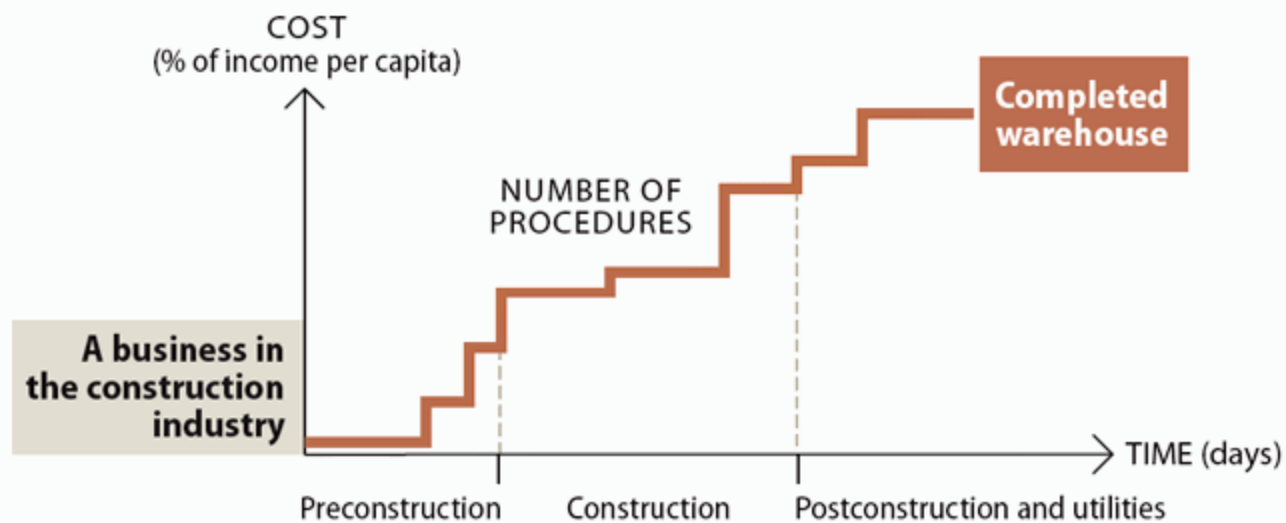
2. Historical data: Dealing with Construction Permits in Germany

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	18	18
Procedures (number)	12	12	12	12
Time (days)	100	100	100	100
Cost (% of income per capita)	63.1	62.2	60.2	61.8

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Germany over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Germany.

BUILDING A WAREHOUSE

City: Berlin

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain a building permit	25 days	EUR 4,000
2	Apply for approval of static calculation	21 days	EUR 1,500
3	Receive inspection from District Chimney Sweeper	1 day	EUR 31
4	Receive inspection of the building shell	1 day	EUR 2,600
5	Receive inspection after completion of the building (Foermliche Bauabnahme)	1 day	no charge
6 *	Apply for water connection	1 day	EUR 7,500
7	Receive an inspection by water company	1 day	no charge
8	Obtain water connection	45 days	no charge

9 *	Apply for electricity connection	1 day	EUR 2,500
10	Receive inspection by electricity company	1 day	no charge
11	Obtain power connection	45 days	no charge
12 *	Obtain telephone line	45 days	EUR 300

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Germany

Procedure 1 Obtain a building permit

Time to complete:	25 days
Cost to complete:	EUR 4,000
Agency:	Building Department
Comment:	The building permit grants the right to build on a plot and authorizes construction as well.

To obtain a construction permit, BuildCo shall provide the building authority with, among other documents, project design drawings, a building specification including a detailed description of the future use of the building, proof of stability, and other necessary proofs (e.g., heat insulation, sound insulation). The architect needs to sign the application for the building permit, and must attach the design drawings, usually scaled at 1:100. Static calculations must be added. The building authority will produce static expert double-check calculations (carried out by a "Pruefstatiker"). The building authority will then forward the application to other relevant departments (e.g., the fire department, planning department).

Under a revised Berlin state law (effective February 1, 2006), certain constructions require only a simple building permit (Section 64 BauO BIN) or a waiver (Section 63 BauO BIN). In the case of a simplified building permit under § 64 BauO BIN, the application will be deemed to be complete and sufficient unless the building department notifies the applicant to the contrary within 3 weeks of receiving the application. If the building department remains silent for 4 weeks, the application will be deemed to be granted and construction may commence (Sections 70 Sect. 3 and 4, 71 Section 7 No. 1 BauOBl). It is the duty of the architect or the engineer to supervise compliance of the construction project with the applicable state law.

In addition, upon receiving the application for a normal building permit, the building department has to notify the applicant within 14 days if the application is complete or if additional documents or plans are required (Section 70 Sect. 1 and 2 BauBl). If the applicant fails to amend the application within a period determined by the building authority, the application will be deemed abandoned. If the application is complete, the building authority will contact other departments involved (for example, the fire safety and public street supervision departments.) If the other departments fail to make a decision within a month, they will be deemed to have consented to the issuance of the permit. If the application is not complete for the purposes of these other departments, then this period of a month is interrupted until the application is completed by the applicant. Upon receiving consent from the other departments, the building department again has a month to decide on the application for a building permit.

Procedure 2 Apply for approval of static calculation

Time to complete:	21 days
Cost to complete:	EUR 1,500
Agency:	Independent Engineer
Comment:	The building authority appoints an independent engineer (either from a private company or from within the authority), responsible for verifying the static calculations before and during construction (the "Pruefstatiker").

The cost for an independent engineer to double-check the static calculations in the

warehouse case considered here is EUR 19,119.95, or 0.49 percent of the construction costs of the outside works (see No. 3000 of the Appendix to the BauGebO). If no independent expert is required, the administrative fee for the building department is EUR 5,853.05, or 0.15 percent of the construction costs of the outside works (see No. 2005 of the Appendix to the BauGebO).

Procedure 3 Receive inspection from District Chimney Sweeper

Time to complete:	1 day
Cost to complete:	EUR 31
Agency:	District Chimney Sweeper
Comment:	Before completion of the building shell, BuildCo shall provide the building authority with a certificate confirming the suitability of the chimneys. Such a certificate by the District Chimney Sweeper is mentioned in §81 Section 4 BauOBln The cost is EUR 31.20 per hour (see §-§ 1 Sect. 3 No. 2a and 12 of the applicable city ordinance: Verordnung über die Kosten für Kehr- und Überprüfungsarbeiten und Messungen durch Bezirksschönsteinfegermeister in Berlin [KÜGebO] promulgated January 14, 1999, amended January 20, 2004). The inspection may take more than an hour, but it will not take more than a day. An appointment can be made on short notice, probably 1–2 weeks before the day of inspection.

Procedure 4 Receive inspection of the building shell

Time to complete:	1 day
Cost to complete:	EUR 2,600
Agency:	Building Department
Comment:	The notification shall be made 2 weeks before the completion of the building shell; the building authority may then decide in its own discretion whether it will inspect the site (the likelihood is 10%); 2 weeks after the notification, BuildCo may start with interior fittings.

Procedure 5 Receive inspection after completion of the building (Foermliche Bauabnahme)

Time to complete:	1 day
Cost to complete:	no charge
Agency:	Building Department
Comment:	Notification shall be made 2 weeks before the completion of the building; the building authority may then decide in its own discretion whether it will inspect the site (the likelihood is 10%); 2 weeks after the notification, BuildCo may start to use the building.

Procedure 6 Apply for water connection

Time to complete:	1 day
Cost to complete:	EUR 7,500
Agency:	Stadtwerke

Comment:

Procedure 7 Receive an inspection by water company

Time to complete: 1 day

Cost to complete: no charge

Agency: Stadtwerke

Comment:

Procedure 8 Obtain water connection

Time to complete: 45 days

Cost to complete: no charge

Agency: Stadtwerke

Comment:

Procedure 9 Apply for electricity connection

Time to complete: 1 day

Cost to complete: EUR 2,500

Agency: Local Electricity Utility

Comment:

Procedure 10 Receive inspection by electricity company

Time to complete: 1 day

Cost to complete: no charge

Agency: Local Electricity Utility

Comment:

Procedure 11 Obtain power connection

Time to complete: 45 days

Cost to complete: no charge

Agency: Local Electricity Utility

Comment:

Procedure 12 Obtain telephone line

Time to complete: 45 days

Cost to complete: EUR 300

Agency: Deutsche Telekom

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

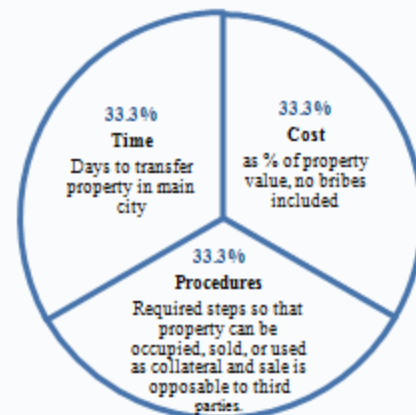
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

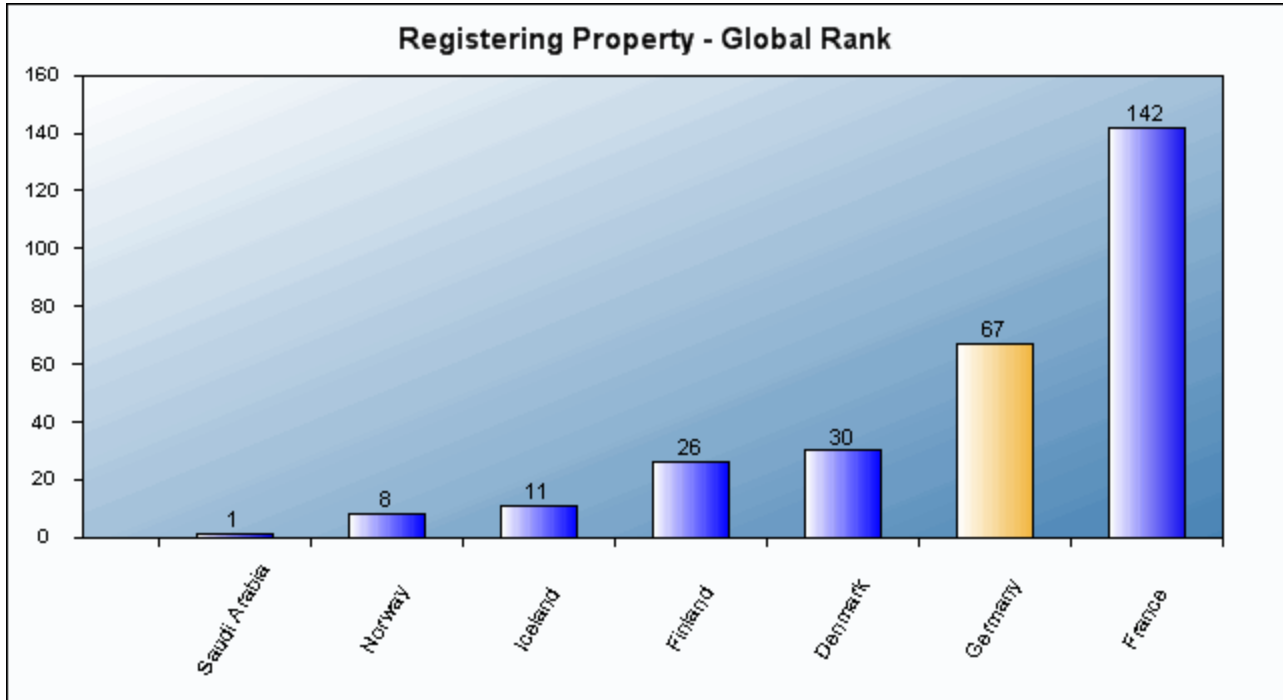
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Germany is ranked 67 overall for Registering Property.

Ranking of Germany in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Germany compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Germany	5	40	5.1

<i>Comparator Economies</i>			
Denmark	3	42	0.6
Finland	3	14	4.0
France	8	59	6.1
Iceland	3	4	2.4
Norway	1	3	2.5

* The following economies are also good practice economies for :

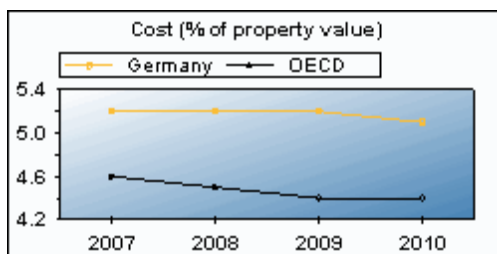
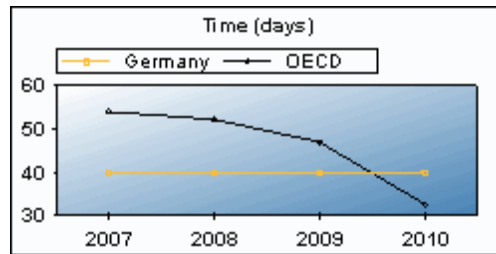
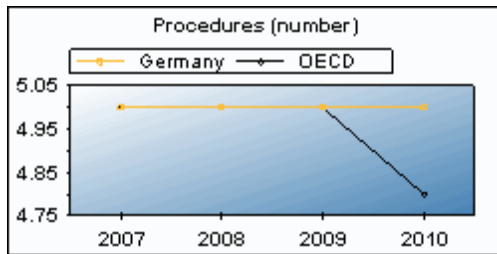
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

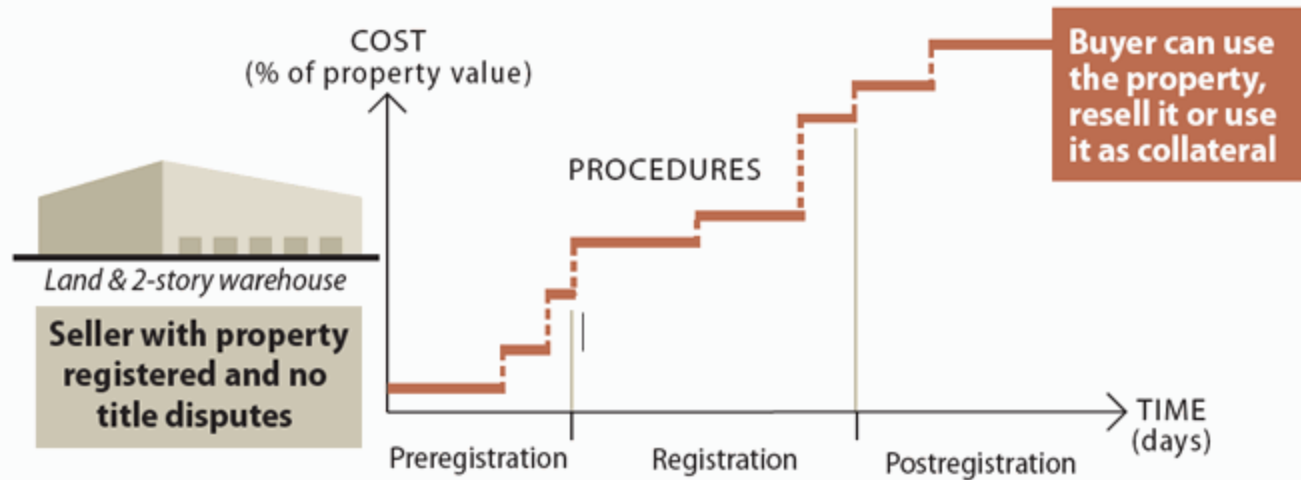
2. Historical data: Registering Property in Germany

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	68	67
Procedures (number)	5	5	5	5
Time (days)	40	40	40	40
Cost (% of property value)	5.2	5.2	5.2	5.1

3. The following graphs illustrate the Registering Property sub indicators in Germany over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



This topic examines the steps, time, and cost involved in registering property in Germany.

STANDARDIZED PROPERTY

Property Value: 1,491,983.70

City: Berlin

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	The notary obtains an extract from the Land Registry and notarizes the transfer agreement	5 days	EUR 8 (extract) + EUR 4584 to 7465.75
2 *	Obtain waiver of preemption rights with the municipality	2 weeks and up to 2 months	EUR 25 (consent of negative attest of city council)
3 *	Fulfillment of the pre-conditions for the validity of the purchase price and notarize sale agreement	20 days (simultaneous with procedure 4)	EUR 1184 (registration fee of priority notice)
4 *	Payment of the transfer tax and obtaining the confirmation	15 days, possibly up to one month (simultaneous with procedure 3)	4.5% of purchase price
5	Application for the registration of the new owner and deletion of the priority notice to the land register	7 days, possibly up to one month	EUR 2337 (Registration Fee) + EUR 584.24 (fee for cancellation of priority)

* Takes place simultaneously with another procedure.

Registering Property Details - Germany

Procedure	1	The notary obtains an extract from the Land Registry and notarizes the transfer agreement
Time to complete:		5 days
Cost to complete:		EUR 8 (extract) + EUR 4584 to 7465.75
Agency:		Land Registry
Comment:		<p>The notary obtains the information referred to the property, e.g. from the land registry to "name" the object in the contract and to see if it is free of burdens and mortgages. A notary has a privileged access to the land register to obtain the extracts. Some of the notaries have on-line access to such land registers which are already converted to electronic land registers. They are in the position to review the extracts very shortly before the notarization from their own offices. The land registry in Berlin is partially computerized, and so extracts can be obtained online.</p> <p>It is possible to retrieve the extract in a shorter period of time (1-2 days), but this is rare. The notary will also notarize the sale and transfer agreement. This is a necessary form requirement according to Germany statutory law.</p> <p>Notary's fees are fixed at EUR 4584 plus other fixed costs ranging up to EUR 7465.75. A notary will generally examine the land register extracts. In exceptional cases there might not be sufficient time, for example because he has been asked by the parties to notarize a sale and transfer agreement within a very short time period. If he is willing in such cases to notarize the agreement he will provide for a clause to exclude his liability that he has not reviewed the land register but that the parties have asked him, nevertheless, to notarize the document.</p> <p>If the notary has not prepared the draft sale and transfer agreement he asks for the draft agreement to be provided in advance for his review. The usual procedure is that the notary examines the draft and provides the parties with comments as regards legal and technical aspects.</p>
Procedure	2	Obtain waiver of preemption rights with the municipality
Time to complete:		2 weeks and up to 2 months
Cost to complete:		EUR 25 (consent of negative attest of city council)
Agency:		Municipality
Comment:		<p>The consent or negative attest of the competent authority regarding any statutory pre-emption rights is required and applicable to all properties in Berlin. The civil council ("Bezirksamt") issues the consent or a negative attest to the transaction. The time limit given by the statute is that the civil council may exercise the right of pre-emption two months after the delivery of a copy of the notarised sale and transfer agreement.</p> <p>The respective preemption right for the public authorities/civil council mentioned in the survey is regulated under Section 24, 25 and 28 German Federal Building Code (Baugesetzbuch). Under specific circumstances the public authorities could have a statutory preemption right to coordinate the urban land-use planning. These rules are applicable to all properties in Berlin. It is necessary therefore to provide the land register with either a consent of the public authorities to the transfer or an attest that the statutory right of preemption either does not exist or is not exercised.</p> <p>The notary is usually requested to execute the agreement. He will inform the city council immediately after notarisation of the document. If the city council does not respond within two</p>

weeks following the receipt of the property purchase agreement, it cannot exercise its right (preclusion period). However, the city council usually responds within two months even if it does not exercise the pre-emption right.

Procedure 3 Fulfillment of the pre-conditions for the validity of the purchase price and notarize sale agreement

Time to complete: 20 days (simultaneous with procedure 4)

Cost to complete: EUR 1184 (registration fee of priority notice)

Comment: The following pre conditions have to be fulfilled for the maturity of the purchase price:

(i) Consent or negative attest of the competent authority regarding any statutory pre-emption rights, applicable to all properties in Berlin.

(ii) Registration of the priority notice in the Land Register (not mandatory but usual practice to secure the purchasers rank in the land register and avoid a third party purchasing the property in good faith).

(iii) Consent to the cancellation of existing encumbrances

(i)The civil council ("Bezirksamt") issues the consent or a negative attest to the transaction.

The time limit given by the statute is that the civil council may exercise the right of pre-emption two months after the delivery of a copy of the notarised sale and transfer agreement.

(ii)The priority notice prevents a purchase by a third party of good faith between the conclusion of the purchase agreement and registration of the purchaser; it usually ranks after the existing encumbrances and prior to any future encumbrances at the time of notarisation. This notice provides a very high level of legal and economic security and certainty. Upon registration, the notice protects against all intervening interests (including seller's insolvency) pending completion of the transaction and actual change in registered ownership. By use of this notice, a purchaser is legally protected against potential risks at an extremely early stage of the conveyancing transaction. Therefore, such notation is generally entered in the public register by the notary immediately following authentication of the purchase contract. From that moment onward, the purchaser can rest assured that he can acquire title to the property if all prerequisites to maturity of the purchase price are fulfilled.

The items (i, ii, and iii) above which are not accepted or taken over by the purchaser have to be in place. It might take substantial time to obtain them, particularly if they have come from public authorities. Such consents will be delivered to the notary and will usually be presented to the land register later when applying for the registration of the new owner (Procedure 4). Registration fee of the priority notice depends on the value of the property.

If all pre-conditions to the maturity "Fähigkeit" of the purchase price, usually collected and examined by the notary, have been fulfilled, the notary issues a statement of maturity "Fähigkeitsmitteilung" to the purchaser. The purchaser is then obliged to pay the purchase price. The payment is evidenced by the seller confirming payment or a bank statement. If the respective declarations in rem have already been provided for in the sale and transfer agreement, the notary is usually bound by an escrow agreement not to forward them to the land register until the purchase price has been paid.

In case of real property the law says the agreement has to be notarized (Section 311b German Civil Code). The transfer of title of a real property, governed by the law of disposition "Sachenrecht", also has to be in a certain form: the declarations in rem, which are in a format according to the land register regulation (Grundbuchordnung), and the transfer has to be registered in the land register. Such declarations in rem which are pre-conditions to the registration of the purchaser to be registered as new owner may either already be in the notarial deed or be given in a separate notarial deed.

Procedure 4 Payment of the transfer tax and obtaining the confirmation

Time to complete: 15 days, possibly up to one month (simultaneous with procedure 3)

Cost to complete: 4.5% of purchase price

Agency: Tax Authority

Comment: The notary is obliged to provide a copy of each notarised sale and transfer agreement to the responsible tax authority. The tax authority will then issue a tax assessment and send it to the purchaser.
The land register clerk will not register the purchaser as new owner if the transfer tax has not been paid.
After payment of the real estate transfer tax, the tax authority will issue a statement of innocuousness (Unbedenklichkeitsbescheinigung) and send it to the notary for presentation to the land register. It may be expected that such statement will be issued within one month following the notarisation.
The tax amounts to 4.5% of the purchase price in Berlin (and Hamburg); the tax in the remaining states within Germany is 3.5% of the purchase price.

Procedure 5 Application for the registration of the new owner and deletion of the priority notice to the land register

Time to complete: 7 days, possibly up to one month

Cost to complete: EUR 2337 (Registration Fee) + EUR 584.24 (fee for cancellation of priority)

Agency: Land Register

Comment: After the purchase price has been paid and the tax authorities have provided the innocuousness statement, an application for the registration of the purchaser as new owner and deletion of the priority notice is submitted. A registration fee is paid depending on the property value. The deletion fee for the cancellation of the priority notice also depends on the value.
It is important to note that there is a possibility to register the title through an expedited procedure, whereby the notary acts as a Trustee and the client can pay through a trust account (Notartreuhandkonto). This makes it possible to obtain the legal title faster, possibly in 2-5 days. However, this occurs only with a small proportion of property title transfers.
The documentation shall include:

- Statement of Innocuousness (obtained in Procedure 3)
- Consent of public authority/civil council to the transfer or attest that the statutory right of pre-emption either does not exist or is not exercised (obtained after Procedure 2)
- Consents to the cancellation (obtained in Procedure 2 and sent to the notary)
- Declarations in rem ‘dingliche Erklärungen’ for the registration of the purchaser as owner.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

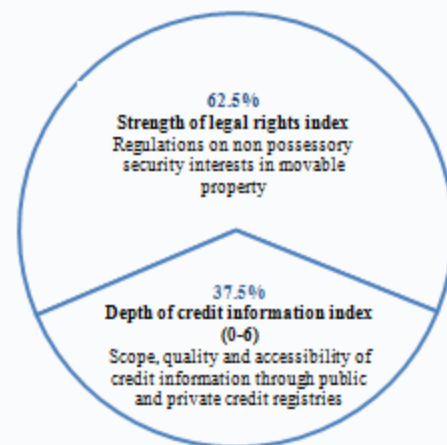
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

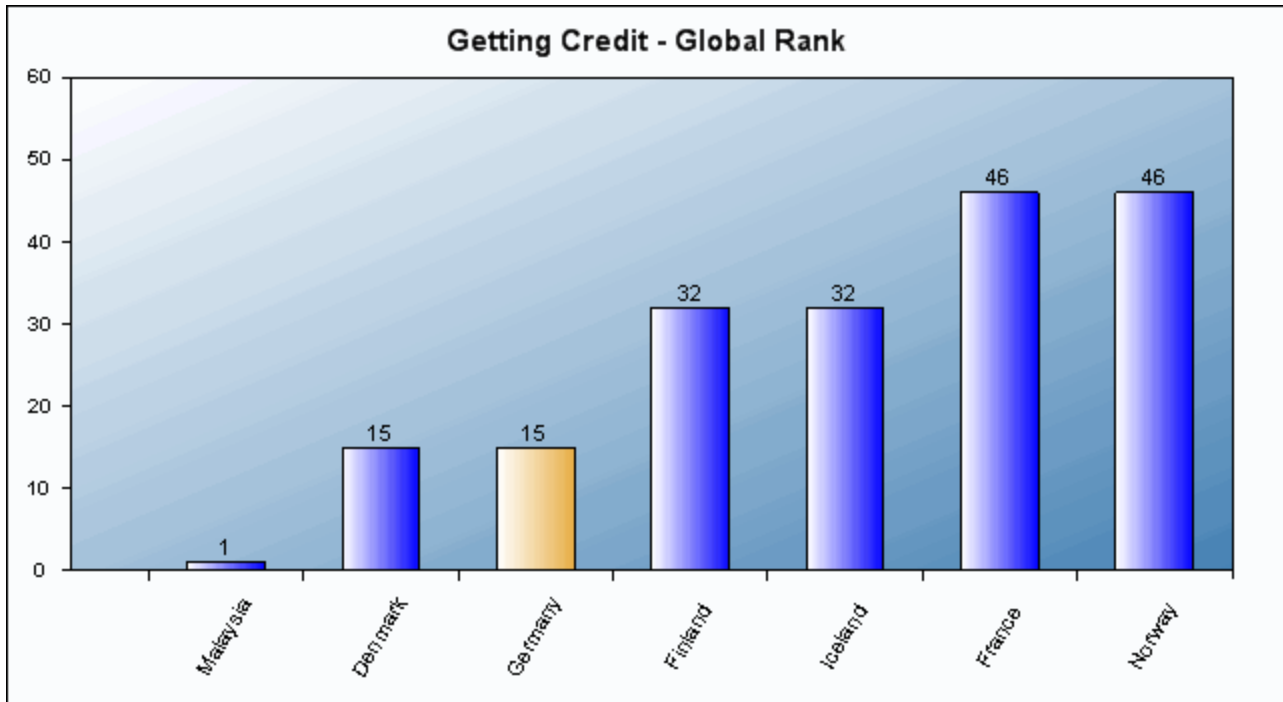
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Germany is ranked 15 overall for Getting Credit.

Ranking of Germany in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Germany compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Germany	7	6	1.0	98.4

<i>Comparator Economies</i>				
Denmark	9	4	0.0	5.4
Finland	7	5	0.0	14.9
France	7	4	33.3	0.0
Iceland	7	5	0.0	100.0
Norway	7	4	0.0	100.0

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

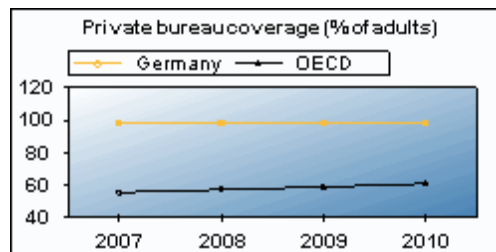
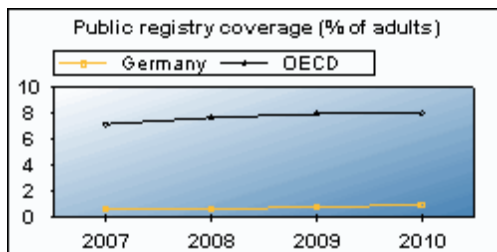
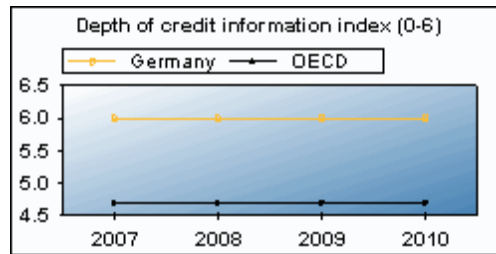
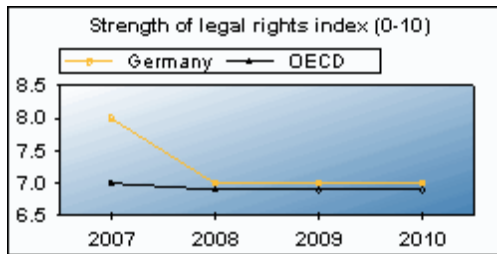
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

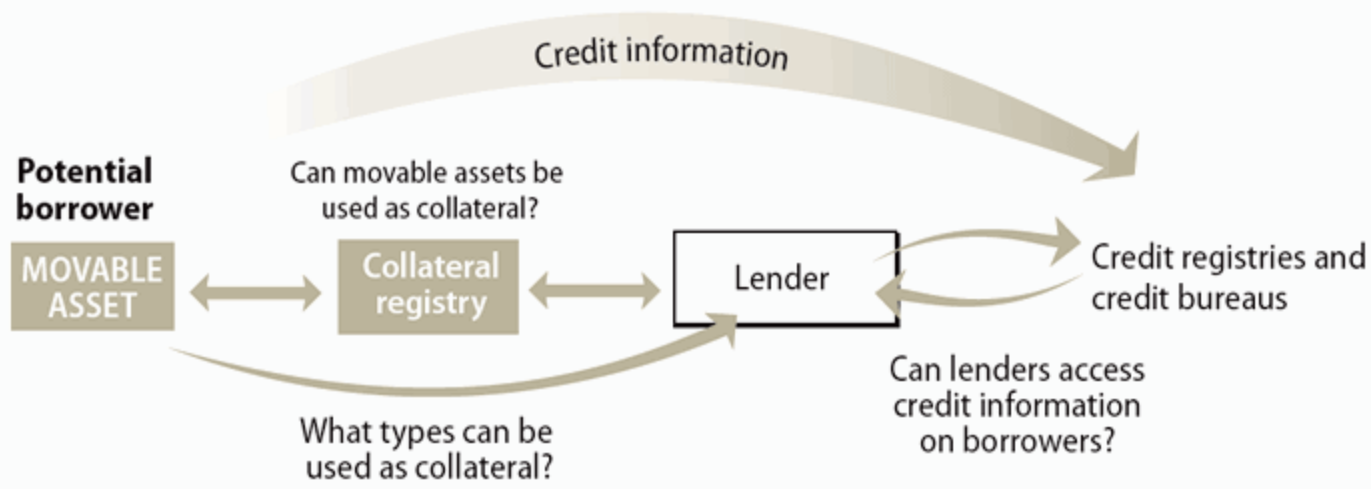
2. Historical data: Getting Credit in Germany

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	14	15
Strength of legal rights index (0-10)	8	7	7	7
Depth of credit information index (0-6)	6	6	6	6
Private bureau coverage (% of adults)	98.1	98.4	98.3	98.4
Public registry coverage (% of adults)	0.7	0.7	0.8	1.0

3. The following graphs illustrate the Getting Credit sub indicators in Germany over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Germany.

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	No	1
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	Yes	1
Coverage	98.4	1.0	
Number of individuals	66,000,000	199,730	
Number of firms	3,500,000	501,271	

Strength of legal rights index (0-10)**7**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?

Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?

Do secured creditors have absolute priority to their collateral in bankruptcy procedures?

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

Does the law authorize parties to agree on out of court enforcement?

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

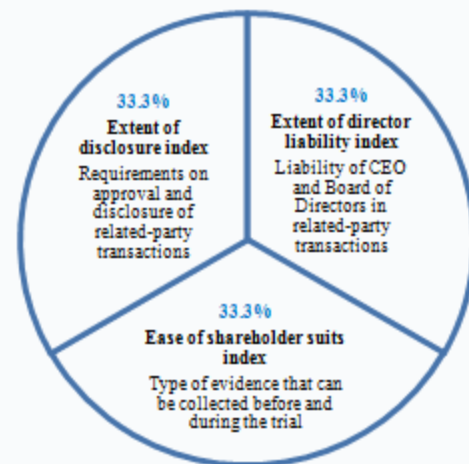
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

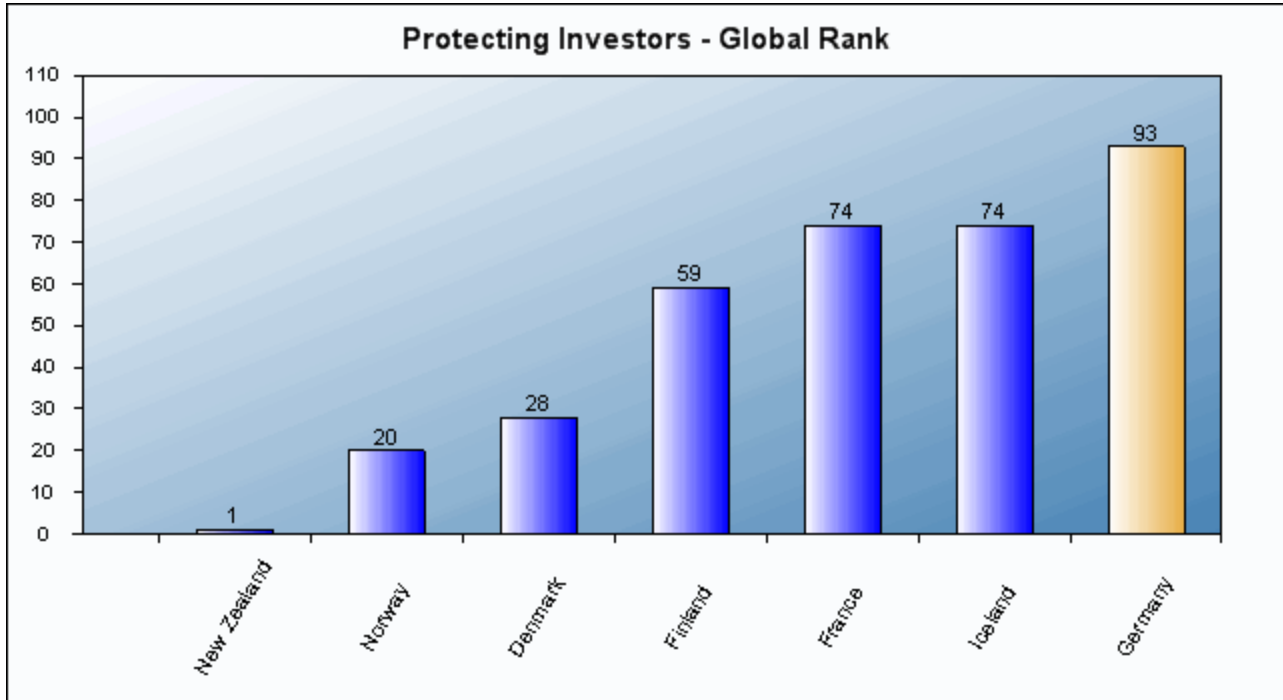
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Germany is ranked 93 overall for Protecting Investors.

Ranking of Germany in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Germany compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

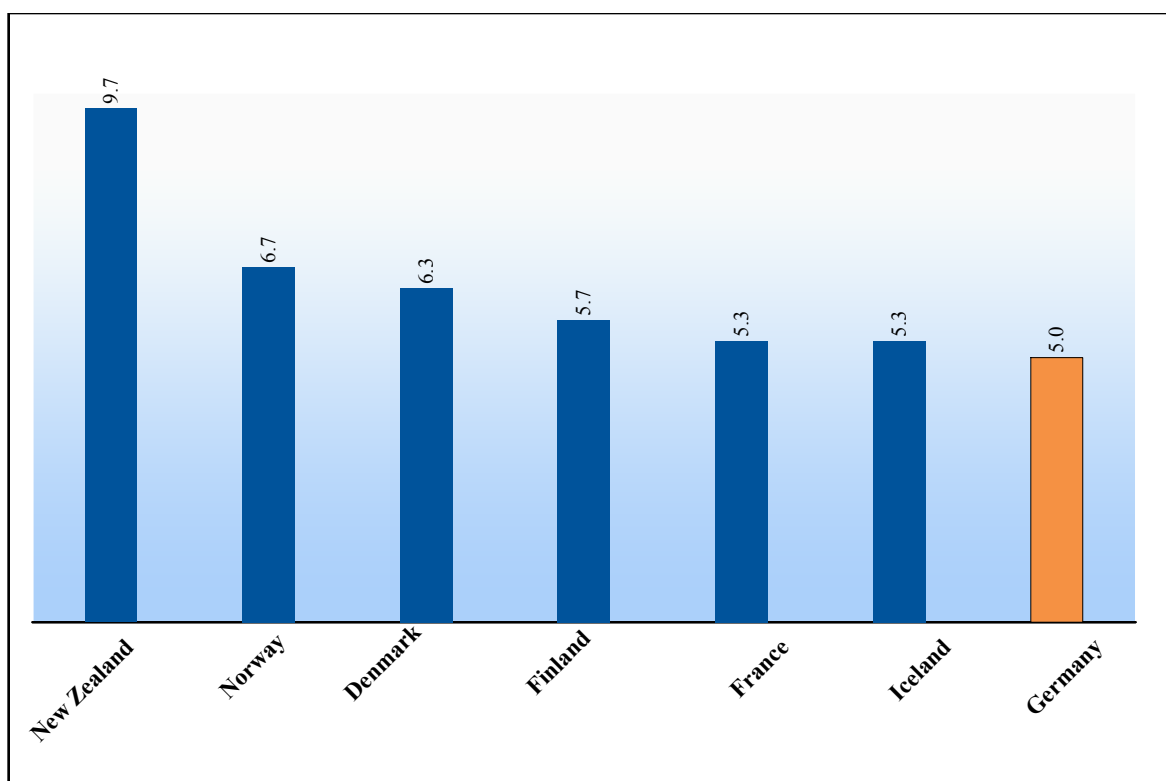
<i>Selected Economy</i>	
Germany	5.0

<i>Comparator Economies</i>	
Denmark	6.3
Finland	5.7
France	5.3
Iceland	5.3
Norway	6.7

2. Historical data: Protecting Investors in Germany

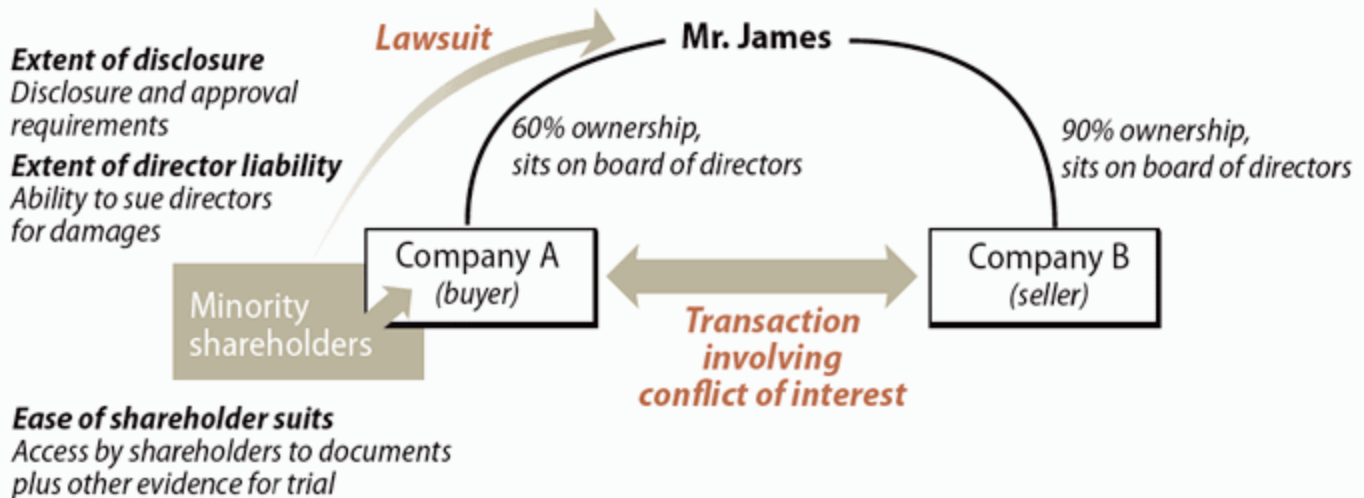
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	92	93
Strength of investor protection index (0-10)	5.0	5.0	5.0	5.0

3. The following graph illustrates the Protecting Investors index in Germany compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Germany.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	5
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	1
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	1
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	5
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	1
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	5
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	5.0

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

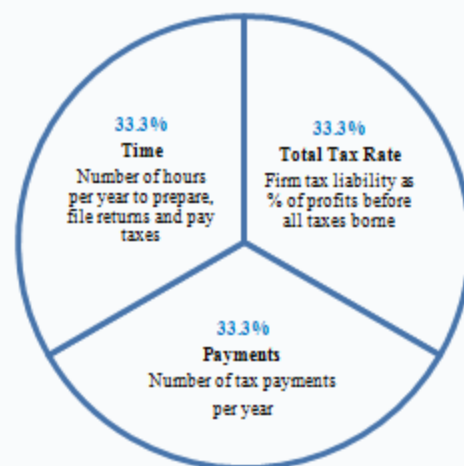
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



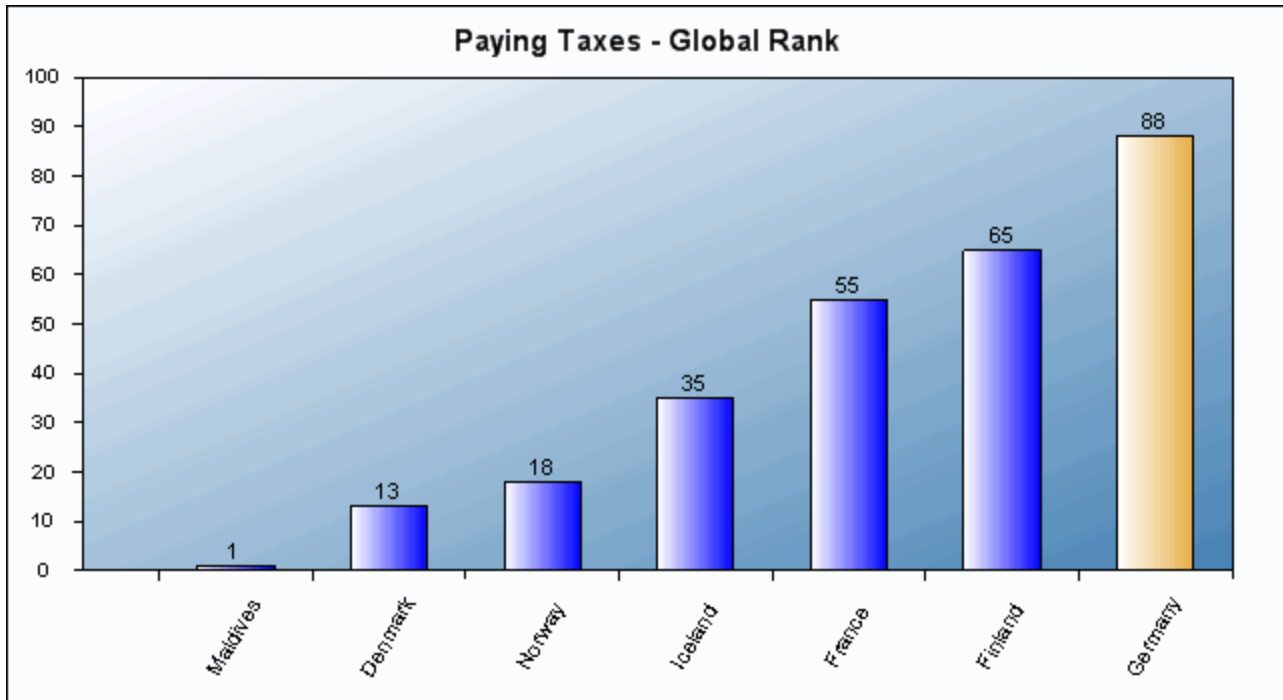
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Germany is ranked 88 overall for Paying Taxes.

Ranking of Germany in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Germany compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Germany	16	215	48.2

<i>Comparator Economies</i>			
Denmark	9	135	29.2
Finland	8	243	44.6
France	7	132	65.8
Iceland	31	140	26.8
Norway	4	87	41.6

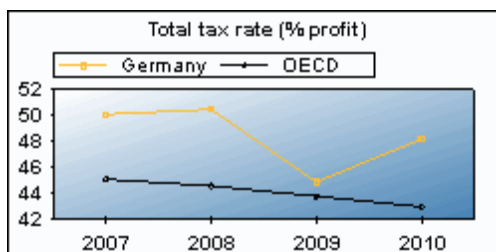
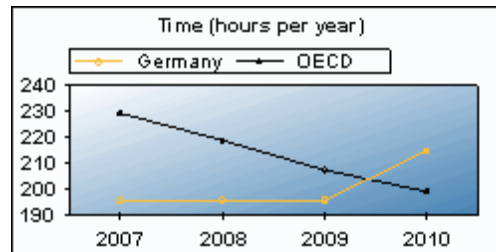
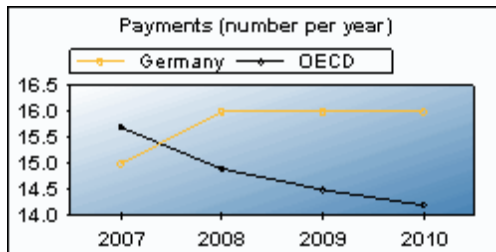
* The following economies are also good practice economies for :

Payments (number per year): Qatar

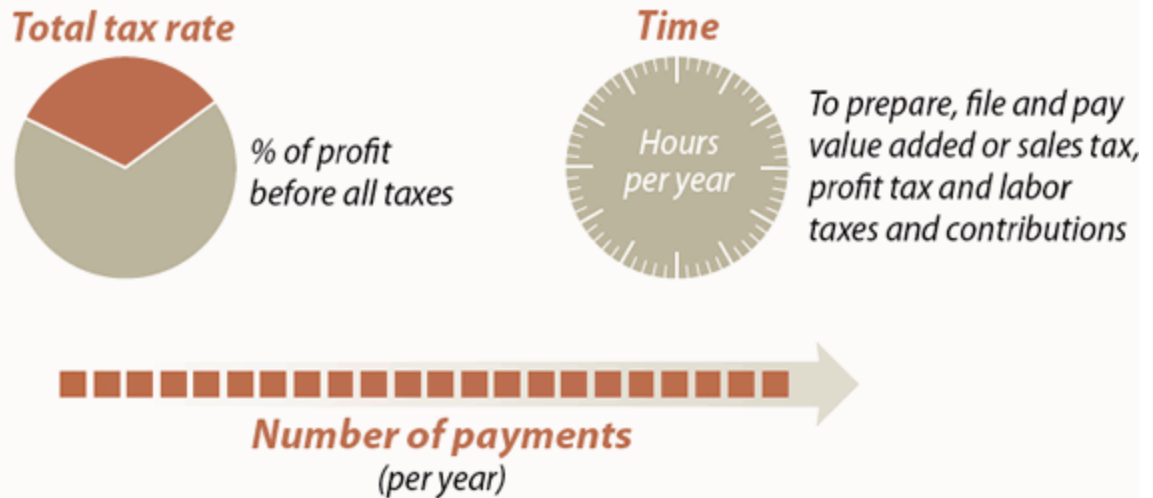
2. Historical data: Paying Taxes in Germany

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	70	88
Total tax rate (% profit)	50.1	50.5	44.9	48.2
Payments (number per year)	15	16	16	16
Time (hours per year)	196	196	196	215

3. The following graphs illustrate the Paying Taxes sub indicators in Germany over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Germany, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1	online filing	43	19.0%	value added		
Property tax	5			less than 0.1%	property value	0.10	
vehicle tax	1			EUR 5-30	per 100 cubic meter	0.10	
Tax on insurance contracts	1			17.8%	insurance premium	0.20	
Tax on interest	0	withheld		25.0%	interest income	0.60	
Solidarity surcharge	0	paid together with CIT		5.5%	corporate income tax	0.60	
Long term care insurance	1	online filing		1.0%	gross salaries	1.10	
Fuel tax	1				included in fuel price	1.50	
Road tax (only for trucks)	1			0.183 Euros per kilometer		1.50	

Unemployment contributions	1	online filing		1.4%	gross salaries	1.60
Health insurance contributions	1	online filing		7.2%	gross salaries	8.10
Trade tax	1	online filing		11-17%	taxable profits	10.90
Social security contributions	1	online filing	142	10.0%	gross salaries	11.20
Corporate income tax	1	online filing	30	15.0%	taxable profit	11.40
Totals	16		215			48.2

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

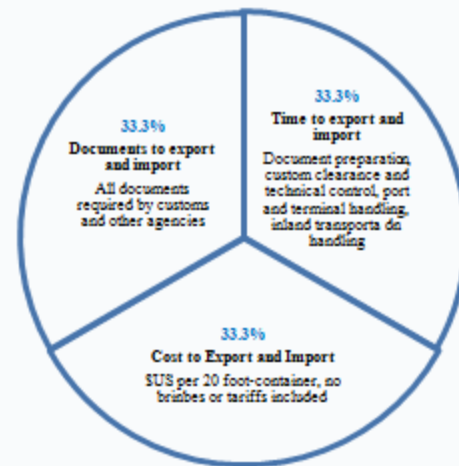
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Germany is ranked 14 overall for Trading Across Borders.

Ranking of Germany in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Germany compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Germany	4	7	872	5	7	937

<i>Comparator Economies</i>						
Denmark	4	5	744	3	5	744
Finland	4	8	540	5	8	620
France	2	9	1078	2	11	1248
Iceland	5	19	1532	5	14	1674
Norway	4	7	830	4	7	729

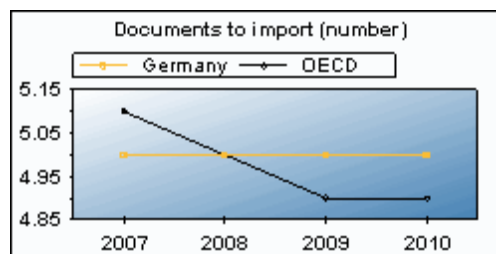
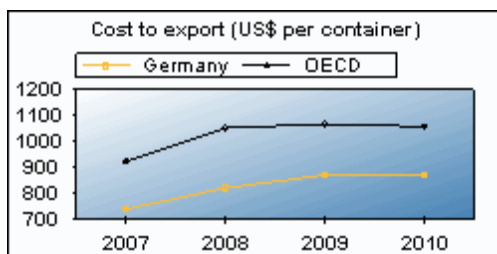
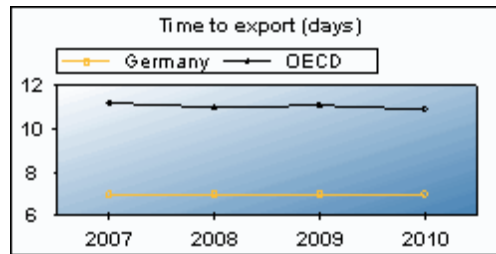
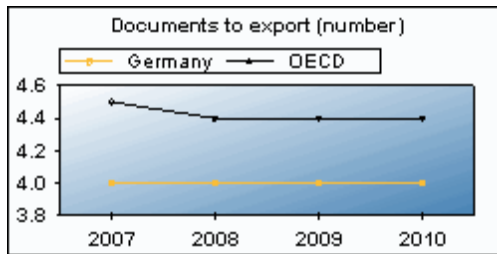
* The following economies are also good practice economies for :

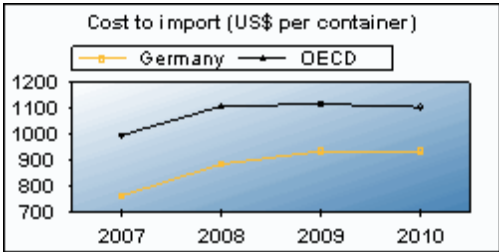
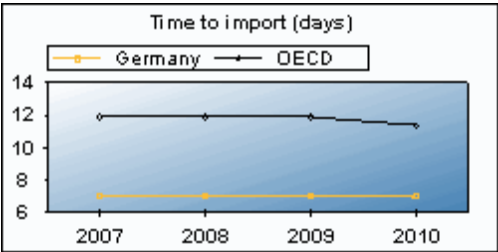
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Germany

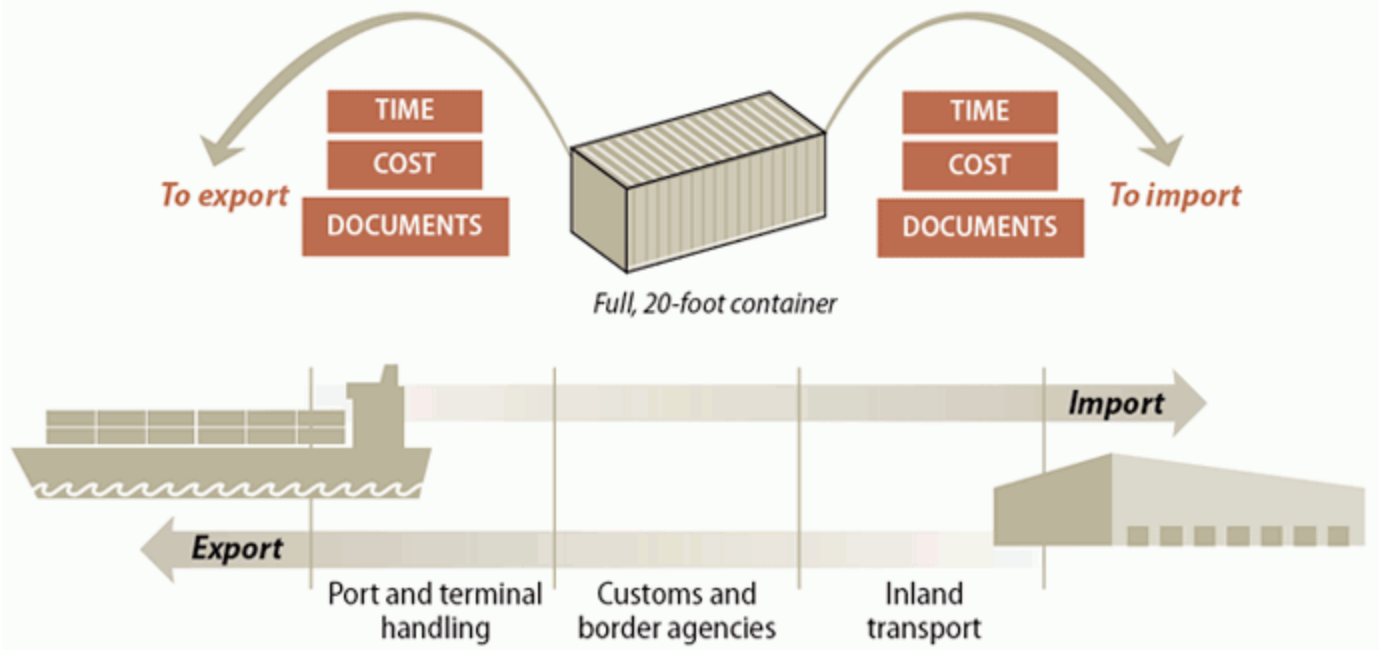
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	14	14
Cost to export (US\$ per container)	740	822	872	872
Cost to import (US\$ per container)	765	887	937	937
Documents to export (number)	4	4	4	4
Documents to import (number)	5	5	5	5
Time to export (days)	7	7	7	7
Time to import (days)	7	7	7	7

3. The following graphs illustrate the Trading Across Borders sub indicators in Germany over the past 4 years:





How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Germany. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	3	142
Customs clearance and technical control	1	30
Ports and terminal handling	2	250
Inland transportation and handling	1	450
Totals	7	872

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	3	182
Customs clearance and technical control	1	55
Ports and terminal handling	1	250
Inland transportation and handling	2	450
Totals	7	937

Documents for Export and Import

Export

- Bill of lading
- Commercial invoice
- Customs export declaration
- Packing list

Import

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

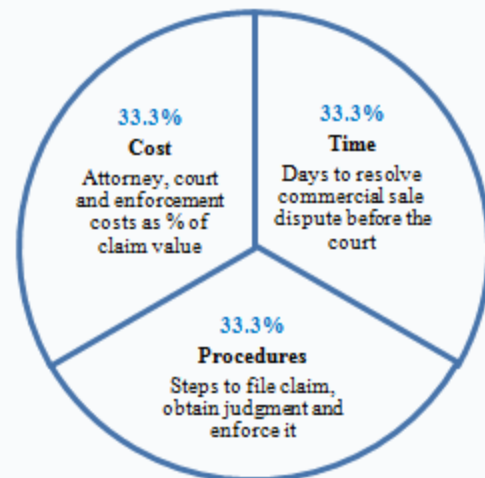
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



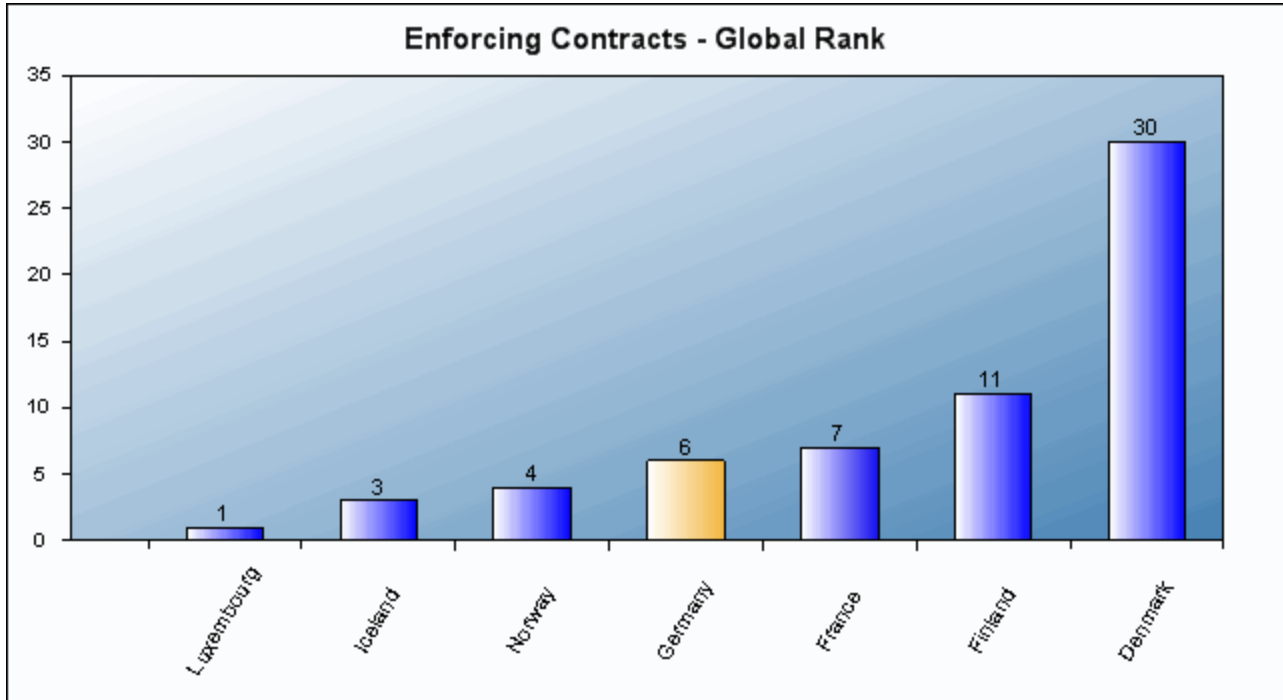
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Germany is ranked 6 overall for Enforcing Contracts.

Ranking of Germany in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Germany compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

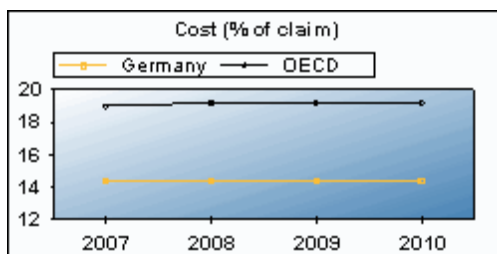
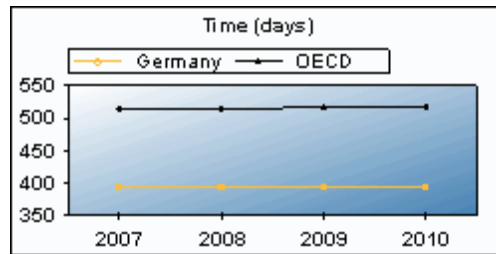
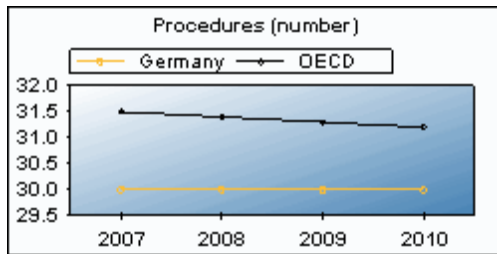
<i>Selected Economy</i>			
Germany	30	394	14.4

<i>Comparator Economies</i>			
Denmark	35	410	23.3
Finland	32	375	13.3
France	29	331	17.4
Iceland	27	417	8.2
Norway	33	280	9.9

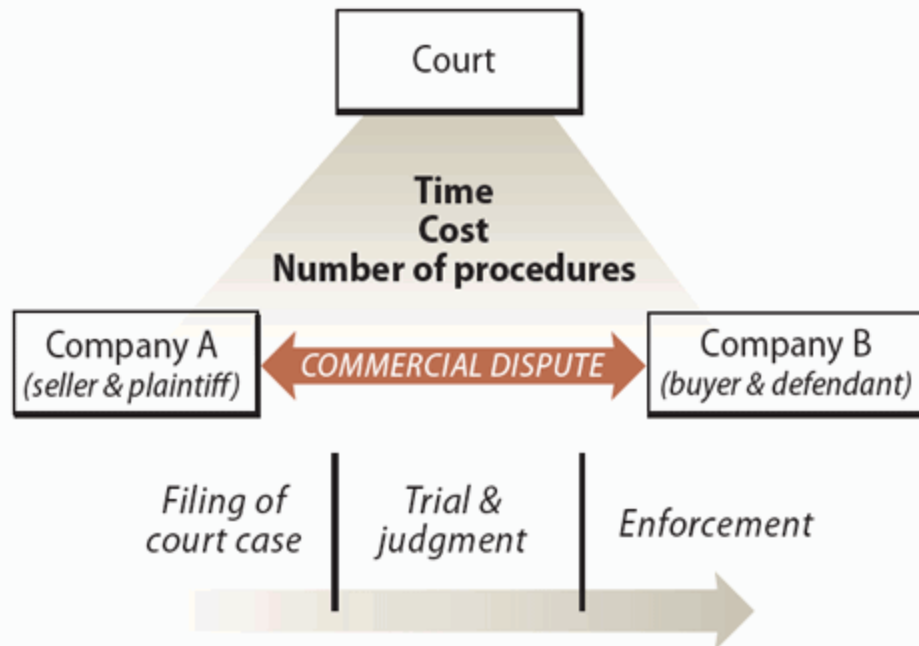
2. Historical data: Enforcing Contracts in Germany

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	7	6
Procedures (number)	30	30	30	30
Time (days)	394	394	394	394
Cost (% of claim)	14.4	14.4	14.4	14.4

3. The following graphs illustrate the Enforcing Contracts sub indicators in Germany over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Germany.

Nature of Procedure (2010)	Indicator
Procedures (number)	30
Time (days)	394
Filing and service	29.0
Trial and judgment	310.0
Enforcement of judgment	55.0
Cost (% of claim)*	14.40
Attorney cost (% of claim)	6.6
Court cost (% of claim)	5.4
Enforcement Cost (% of claim)	2.4

Court information: Berlin Regional Court ("Landgericht Berlin")

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

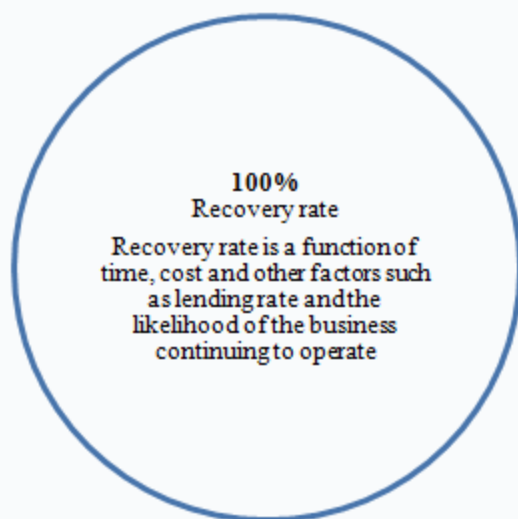
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Germany is ranked 35 overall for Closing a Business.

Ranking of Germany in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Germany compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Germany	53.1	1.2	8

<i>Comparator Economies</i>			
Denmark	89.4	1.1	4
Finland	89.4	0.9	4
France	45.2	1.9	9
Iceland	78.5	1.0	4
Norway	90.9	0.9	1

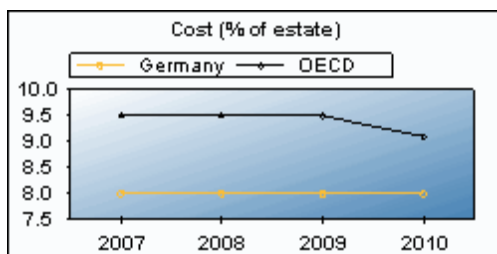
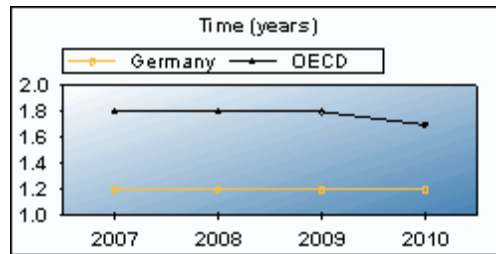
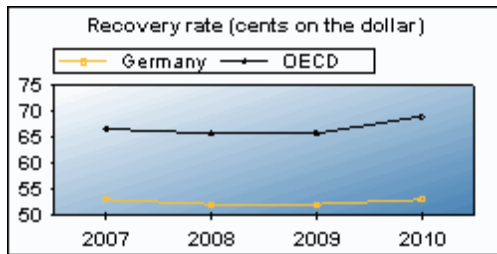
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Germany

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	35	35
Time (years)	1.2	1.2	1.2	1.2
Cost (% of estate)	8	8	8	8
Recovery rate (cents on the dollar)	53.1	52.2	52.2	53.1

3. The following graphs illustrate the Closing Business sub indicators in Germany over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

 Positive Change
 Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Denmark	Denmark eased business start-up by reducing the minimum capital requirement for limited liability companies from 125,000 Danish kroner (\$22,850) to 80,000 Danish kroner (\$14,620). Computerization of Denmark's land registry cut the number of procedures required to register property by half.
Germany	Germany eased business start-up by increasing the efficiency of communications between the notary and the commercial registry and eliminating the need to publish an announcement in a newspaper.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
Iceland	Iceland made dealing with construction permits more costly by increasing the fees to obtain the design approval and receive inspections. Iceland increased the corporate income tax rate from 15% to 18% and raised social security and pension contribution rates.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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