



## **Huge variation in business tax costs revealed in KPMG's international city-by-city study**

- *Lowest tax costs less than 25 percent of highest*
- *European cities among the most expensive, Mexican and US the cheapest*

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A detailed study of tax costs in 35 cities in 10 countries around the world has shown a huge variation in the tax burden borne by business.

The study, commissioned by KPMG's Canadian member firm, looked at taxes paid by businesses in Australia, Canada, France, Germany, Italy, Japan, Mexico, the Netherlands, the US and the UK.

It found the highest average tax burden in France, where total taxes paid are more than 2.5 times higher than those in the lowest tax country, Mexico, and more than double those of France's European near-neighbor, the Netherlands.

Of the 35 large cities (cities with populations greater than 2 million) highlighted by the study, Paris is the most expensive for taxes, followed by Naples, Frankfurt, London and Yokohama.

The cheapest is San Juan in Puerto Rico, the self-governing commonwealth in association with the United States, where special concessions reduce the tax burden to less than a quarter of that in Paris.

Many of the low tax cities are found in Mexico, the US, or Canada. The exceptions are the Australian cities of Melbourne and Sydney, which come in at 10 and 14 respectively in the league table (see below). The cheapest European city is Manchester in the UK, at 26 in the table.

Greg Wiebe, head of tax for KPMG's Canadian member firm, said that the study highlights that businesses should look beyond the corporate tax rate charged by a country to assess the tax cost of running a business in that jurisdiction. Companies also need to consider the sales, property and other taxes that businesses pay to various levels of government in a location, and the tax incentives they can achieve by undertaking specific business activities there.

"Our survey found, for example, that companies in France must pay significantly more in statutory labor costs than they do in taxes on corporate income," he said. "This is true for all of the European states we have studied. But it is not true for the

states outside Europe, some of which, the U.S. and Japan in particular, have rates of corporate income tax that would be regarded as high by European standards.”

The study is intended to provide a guide for companies wanting to compare the tax burden they will incur in different cities around the world. It applies the tax regime in each city to 12 different business models, covering manufacturing, services, and research and development, and aggregates the results into a series of league tables comparing tax burdens at national and international level.

“Not only do the results vary from city to city,” said Mr. Wiebe, “they also vary depending on the type of business. Service industries tend to be more affected by statutory labor costs because of the number of people they employ, while manufacturers will have to look more closely at property taxes, and taxes on equipment and capital.”

These characteristics can make a real difference. For example, the two UK cities studied, London and Manchester, do worse as locations for manufacturing operations than their overall ranking would suggest, because both have high property values and property taxes.

But both do well as a location for R&D operations due to the UK’s flexible R&D tax incentive system. London’s total tax costs for R&D are below low-cost, technology-orientated locations such as San Juan in Puerto Rico and Guadalajara in Mexico.

In services, Vancouver in Canada and Mexico’s Puebla do particularly well, while Paris in France and Naples in Italy look unattractive due to their high additional labor costs.

In manufacturing, it is again the Mexican cities and San Juan which have the lowest tax costs, while the European cities of Frankfurt, London, Naples and Paris look most expensive.

“Tax is rarely a reason by itself to locate or not to locate in a particular place,” said Mr. Wiebe, “but it is clear from our wider look at business costs, *Competitive Alternatives*, published earlier in the year, that tax costs can vary much more widely than, say labor or transport costs due to the huge variations in tax policies around the world.

“Globally-orientated, forward thinking organizations need this kind of information if they are to make the right decisions on location to add value to their operations.”

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Note to editors

The Tax Supplement is part of the 2008 edition of *Competitive Alternatives, KPMG’s Guide to International Business Location*. The guide examines the cost of doing business in 102 cities in 10 countries, using detailed business models to provide comparative data.

Further information on Competitive Alternatives is available at [www.competitivealternatives.com](http://www.competitivealternatives.com). The Tax Supplement is available here <http://www.kpmg.com/Global/IssuesAndInsights/ArticlesAndPublications/Pages/CompetitiveAlternatives2008.aspx>

The following tables and graphs are taken from the Tax Supplement. They rank countries and cities according to the Total Tax Index. This is a measure which calculates the total tax burdens on businesses, and compares them using the US as a benchmark with a Total Tax Index of 100. So, for example, Mexico's overall tax burden has a Total Tax Index figure of 70.2, which means that it is 29.8 percent lower than that in the US. The same benchmark (US = 100.0) is also used for indexing the results of individual cities.

### Overall tax rankings

Rank	Country	Total Tax Index
1	Mexico	70.2
2	Netherlands	78.3
3	Canada	78.8
4	Australia	95.9
5	United States	100.0
6	United Kingdom	101.6
7	Japan	120.8
8	Germany	128.2
9	Italy	172.0
10	France	185.3

Rank	35 Large International Cities	Total Tax Index
1	San Juan, US	46.6
2	Puebla, MX	69.7
3	Guadalajara, MX	73.6
4	Vancouver, CA	75.2
5	Monterrey, MX	75.4
6	Montreal, CA	83.2
7	Toronto, CA	85.4
8	Baltimore, US	92.1
9	Atlanta, US	95.1
10	Melbourne, AU	95.3
11	Tampa, US	98.1
12	Detroit, US	98.6
13	Phoenix, US	98.8
14	Sydney, AU	101.4
15	Minneapolis, US	101.5
16	Metro Washington DC, US(1)	101.6
17	Denver, US	101.8
18	Philadelphia, US	101.9
19	Boston, US	102.1
20	Dallas-Fort Worth, US	103.2
21	Houston, US	104.1
22	Portland, US	104.5
23	Metro Los Angeles, US(2)	105.1
24	Chicago, US	105.3
25	St. Louis, US	106.5
26	Manchester, UK	107.1
27	Seattle, US	107.1
28	San Diego, US	107.7
29	New York City, US	109.2
30	San Jose, US(3)	112.2
31	Yokohama, JP	122.3
32	London, UK	130.3
33	Frankfurt, GE	132.9
34	Naples, IT	175.2
35	Paris, FR	190.7

1: This study compares the Northern Virginia portion of the tri-state Washington DC metro area.

2: This study compares Riverside-San Bernardino, on the outskirts of the extended LA metro area.

3: San Jose, or Silicon Valley, part of the San Francisco Bay area.

### Service industry tax rankings

Rank	Country	Total Tax Index
1	Mexico	72.2
2	Canada	86.4
3	United States	100.0
4	United Kingdom	109.9
5	Australia	114.6
6	Netherlands	121.5
7	Japan	126.4
8	Germany	175.3
9	Italy	277.5
10	France	289.0

Rank	35 Large International Cities	Total Tax Index
1	San Juan, US	65.5
2	Puebla, MX	71.6
3	Vancouver, CA	77.0
4	Guadalajara, MX	78.9
5	Monterrey, MX	82.6
6	Atlanta, US	92.7
7	Baltimore, US	94.2
8	Montreal, CA	94.5
9	Toronto, CA	94.8
10	Phoenix, US	95.4
11	Tampa, US	96.5
12	Detroit, US	98.1
13	Minneapolis, US	100.4
14	Dallas-Fort Worth, US	100.6
15	Portland, US	101.2
16	Denver, US	101.8
17	Houston, US	101.9
18	St. Louis, US	102.1
19	North Virginia (Metro DC), US	103.8
20	Riverside-San Bernardino, US	104.4
21	San Diego, US	104.7
22	Boston, US	105.2
22	Chicago, US	105.2
24	Philadelphia, US	105.8
25	New York City, US	109.8
26	San Jose, US	111.9
27	Melbourne, AU	115.2
28	Manchester, UK	119.9
29	Sydney, AU	122.9
30	Seattle, US	125.3
31	Yokohama, JP	126.6
32	London, UK	128.3
33	Frankfurt, GE	182.4
34	Naples, IT	285.1
35	Paris, FR	304.7

### Manufacturing tax rankings

Rank	Country	Total Tax Index
1	Mexico	67.4
2	Netherlands	82.4
3	Canada	87.1
4	Australia	96.4
5	United States	100.0
6	United Kingdom	111.3
7	Germany	124.8
8	Japan	127.0
9	Italy	148.0
10	France	173.9

Rank	35 Large International Cities	Total Tax Index
1	San Juan, US	42.4
2	Puebla, MX	67.0
3	Guadalajara, MX	70.2
4	Monterrey, MX	71.6
5	Vancouver, CA	85.4
6	Baltimore, US	91.3
7	Toronto, CA	92.7
8	Montreal, CA	94.2
9	Melbourne, AU	95.2
10	Atlanta, US	95.3
11	Tampa, US	98.0
12	Philadelphia, US	99.5
13	Detroit, US	100.1
14	Sydney, AU	101.2
15	Phoenix, US	101.5
16	Denver, US	101.5
17	North Virginia (Metro DC), US	101.7
18	Boston, US	102.1
19	Dallas-Fort Worth, US	103.6
20	Seattle, US	104.2
21	Minneapolis, US	104.4
22	Houston, US	104.5
23	Riverside-San Bernardino, US	105.2
24	Chicago, US	106.4
25	Portland, US	107.4
26	St. Louis, US	108.7
27	San Diego, US	109.3
28	New York City, US	109.9
29	San Jose, US	113.5
30	Manchester, UK	116.4
31	Yokohama, JP	129.3
32	Frankfurt, GE	129.9
33	London, UK	149.5
34	Naples, IT	152.1
35	Paris, FR	176.9

## R&D tax rankings

Rank	Country	Total Tax Index
1	Netherlands	18.8
2	Canada	38.7
3	United Kingdom	49.4
4	Mexico	72.1
5	Australia	74.7
6	Japan	97.3
7	United States	100.0
8	Germany	131.4
9	France	169.7
10	Italy	226.4

Rank	35 Large International Cities	Total Tax Index
1	Montreal, CA	24.3
2	Vancouver, CA	37.5
3	Toronto, CA	53.9
4	Manchester, UK	54.2
5	London, UK	58.7
6	San Juan, US	61.8
7	Puebla, MX	71.3
8	Melbourne, AU	74.9
9	Guadalajara, MX	77.4
10	Monterrey, MX	80.8
11	Sydney, AU	81.8
12	Baltimore, US	88.4
13	Portland, US	88.5
14	Phoenix, US	89.5
15	Boston, US	94.2
16	Minneapolis, US	94.7
17	Detroit, US	96.6
18	Tampa, US	97.3
19	Yokohama, JP	97.6
20	Atlanta, US	99.7
21	North Virginia (Metro DC), US	100.8
22	Philadelphia, US	102.1
23	Chicago, US	102.5
24	Riverside-San Bernardino, US	104.7
25	San Diego, US	104.9
26	St. Louis, US	105.2
27	Denver, US	106.2
28	New York City, US	109.6
29	Seattle, US	110.4
30	San Jose, US	111.9
31	Dallas-Fort Worth, US	115.0
32	Houston, US	116.4
33	Frankfurt, GE	135.9
34	Paris, FR	177.4
35	Naples, IT	227.5

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