RETHINKING GLOBALISATION

Tackling cross-border business challenges in turbulent times

Global Business Complexity Index 2024

TMF GROUP

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Foreword

This year marks TMF Group's 11th annual report on global business complexity, exploring the challenges of establishing and running businesses in 79 jurisdictions around the world, that between them represent 93% of world GDP and 88% of net FDI inflow. While those challenges can result in various safeguards that matter to a particular country - like employee protection for example - they can also create complexity that suppresses investment, employment and wealth creation. By comparing each country's rules and regulations in detail and from that developing the aggregate ranking of countries based on complexity, we hope to alert firms to the challenges of doing business in particular places, and to encourage governments to simplify wherever possible.

A feature of the world at present is heightened geopolitical tension - in particular between the USA and Mainland China - the world's two largest economies and by some way, its leading trading pair. In response to lockdowns, political interference, the expectation of greater trade restrictions and a more multi-polar world economy, firms are creating more complex, resilient paths to trade, with multiple paths that put them inside different trade blocs and that create some redundancy in the event of any path failing. The talk is now of trade corridors and connector economies, with neutral countries receiving investment from both sides in a new Cold War. We highlight five such 'bridge countries' in this year's GBCI– each that are seeing disproportionate FDI and growth.

As a consequence, it means firms will be operating more complex structures in more complex jurisdictions, as the price of creating resilience against unpredictable political tensions. Adding to that complexity, we point out that several of these bridge economies are themselves complex places to do business. Mexico, for example, ranks as the 4th most complex jurisdiction in our study and the connector economies average ranking is in the top third of most complex jurisdictions. Yet, this is by no means an argument for avoiding complex jurisdictions. Instead, it is about being properly prepared for the complexity that you will encounter when you set up a fund, build a factory or employ people in those environments.

Within this year's GBCI, we highlight several case studies to illustrate complexity in action and the ways in which we as a company have been able to mitigate it. While we hope to see political tensions fade and governments simplify the rules, we are not optimistic on either count. Instead, we are making sure TMF Group can act as a trusted global partner to help our clients navigate the growing complexity ahead.

Mark Weil
TMF Group CEO

Introduction

The Global Business Complexity Index 2024 (GBCI) provides an authoritative overview of the complexity of establishing and operating businesses around the world. It explores factors driving the success or failure of international business, with a focus on operating in foreign markets, and outlines key themes emerging globally, as well as local intricacies across 79 jurisdictions.

The GBCI 2024 is based on 292 indicators relating to business complexity and provides in-depth analysis of the global and local challenges impacting on the ease of doing business around the world. These data points are used to compile a global ranking of the 79 jurisdictions, based on the complexity of their business environments and covering legislation, compliance, accounting procedures, tax regimes, human resources (HR) rules and payroll processes.

Three global themes

Investing safely and securely in high complexity jurisdictions

With global compliance legislation expected to tighten in the future, what will this mean for complexity? We will explore the impact of global regulatory compliance on foreign investments and what organisations do to mitigate the risks associated with changing legislation.

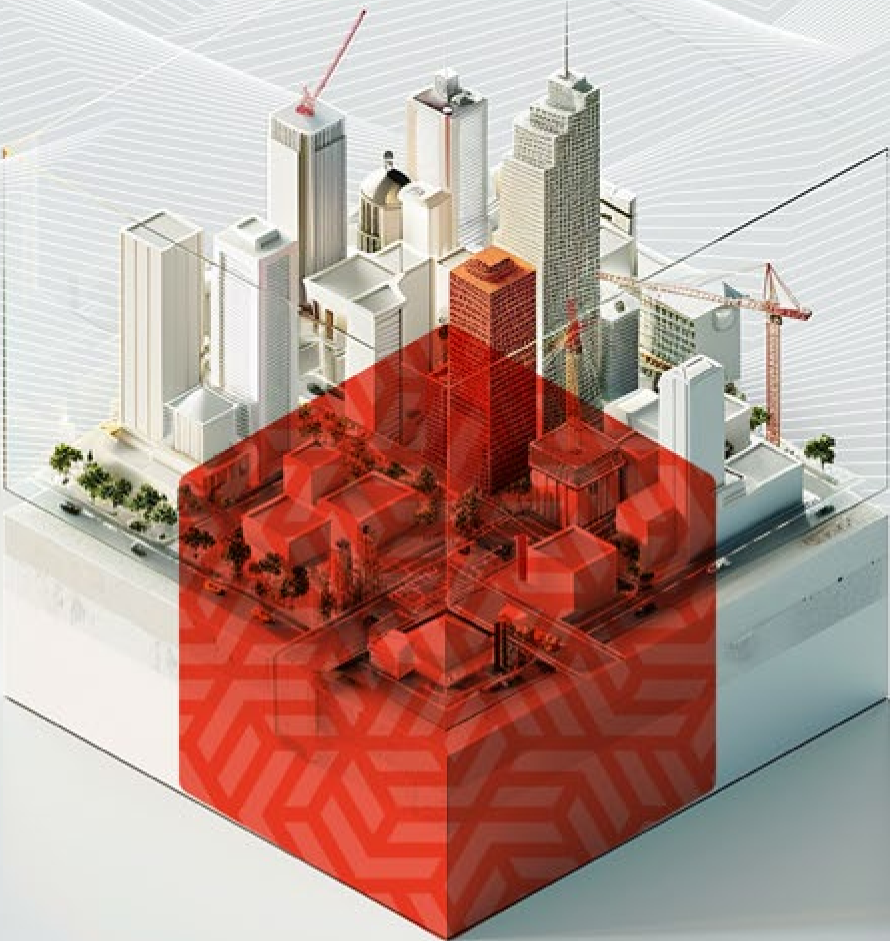
Multinational risk and how it shapes the business environment

We explore the impact that geopolitical factors like supply chain disruption, trade barriers and high energy prices are having on businesses. We also examine what businesses are doing in the face of these challenges, such as outsourcing, rethinking expansion and growth plans.

Growth in uncertain times – strategies for success

We examine how organisations are adapting staffing levels to navigate the uncertainty of the business environment. This includes an assessment of how they attract and retain staff, while also exploring the benefits of working with a local workforce.

Investing safely and securely in high complexity jurisdictions



Over half of TMF Group experts report confidence in legislation stability in the next five years

A majority of jurisdictions expressed confidence in legislation stability across the next five years, representing a continued upward trajectory on previous years. In 2020, for example, just 35% of jurisdictions predicted it to be likely that there would be no significant change in legislation. Year on year, the sense that no significant change will occur has increased. This jumped a considerable 17 percentage points to 52% in 2021. In 2023, the proportion of jurisdictions predicting no significant change jumped again to 57%, with only a marginal increase to 58% in 2024.

Trends in reporting on ultimate beneficial owners (UBO) and persons of significant control (PSC), as well as regulations around know your customer (KYC) and anti-money laundering (AML) have been core parts of compliance processes in locations around the world for a number of years. And while there may be a minority of jurisdictions lagging behind on these fronts, regulation has been an important method of holding businesses to account on both transparency and safety. This helps to explain confidence in legislative stability in the medium term.

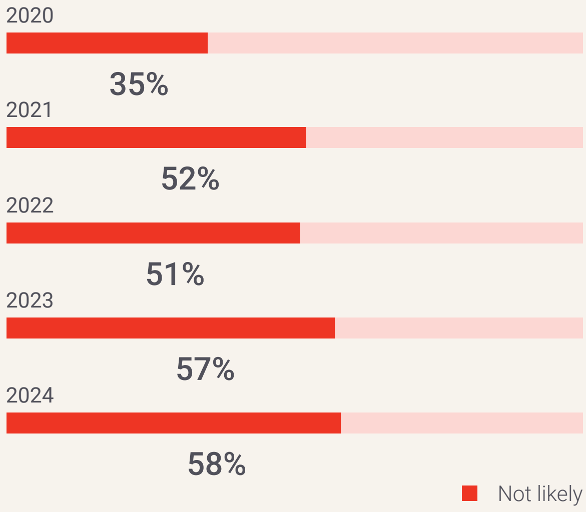
Regulatory risk is the most challenging factor for investors worldwide, but political risk is impacting two thirds of South American jurisdictions

Labor regulations (38%), tax regulations (26%) and regulatory compliance (12%) were identified as the core complexities within regulatory risk. TMF Group experts highlighted that rather than the amount or complexity of legislation posing a challenge, it is instead the speed with which regulatory changes are introduced where the true difficulty lies. Multiple jurisdictions spoke about minimal but regular changes to regulatory compliance requiring action within days of introduction.

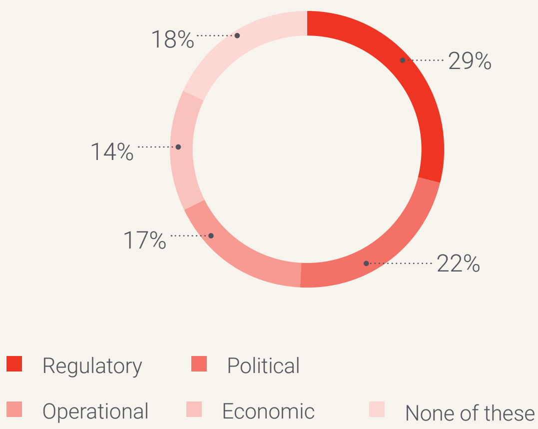
"The government is always changing the rules and regulations for tax applications. In some cases, that is with immediate effect. For example, they can announce the new VAT rate for all goods and services on a Friday night and after Monday, all the new rates should be applicable."

TMF Turkey expert

Likelihood of change in legislation predicted in the next five years



Risk factors considered the most challenging for organisations



However, when split by region or complexity, high proportions of South American (60%) and North American (46%) jurisdictions, as well as half of those in the top ten most complex, identified political risk as a challenging factor. Experts identified recent changes in government or upcoming elections as key markers of risk. TMF Group experts operating in North and South American jurisdictions described political risk as much harder for international businesses to mitigate against. They explained how political changes can have a knock-on impact on regulation, taxation and trading policies, which can in turn make a jurisdiction much less attractive to invest in. The wholescale and unpredictable nature of these changes and the speed with which they occur - given the political landscape - can make it difficult for international businesses to develop strategies to offset the risk.

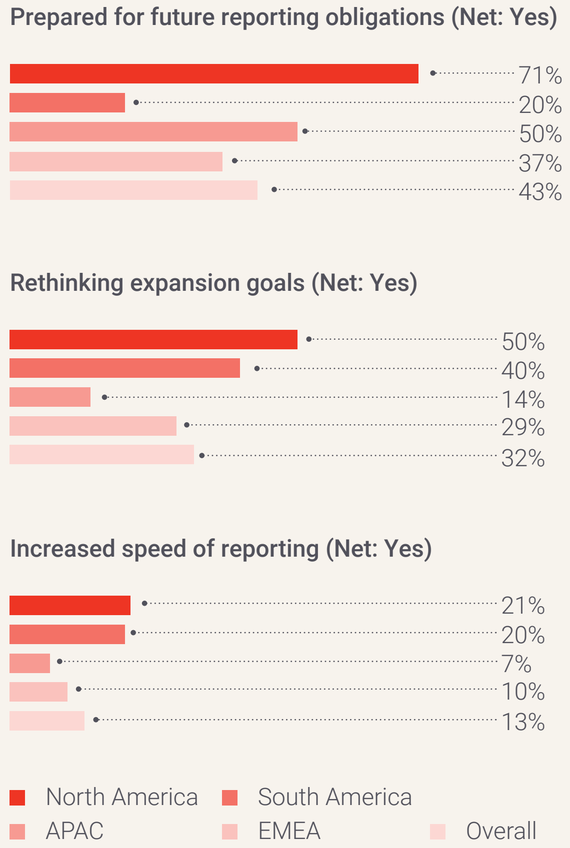
"We've got a 2-party election in the US. So, whatever they come back with... I don't think that there is a significant percentage in the population that support either... People are going to see that from an investment perspective and they may sit on the sideline for a few months, trying to figure out how that should even play out."

TMF USA expert

Despite some changes to regulatory compliance, two in five TMF Group experts report that their clients are prepared for future reporting obligations

Of the jurisdictions that foresee further regulatory compliance, nearly half feel prepared for future reporting obligations. This is particularly high for jurisdictions in North America, at 71%, when compared to an overall 43%. Comparably, it is particularly low for jurisdictions in South America at 20%.

Some jurisdictions shared that changes in regulatory compliance reporting typically only impact larger companies operating in their jurisdictions. Many of these larger companies operate on a global scale and, as such, are accustomed to completing reporting for other jurisdictions. Therefore, any changes to reporting will have a minimal impact.



"It's only major institutional banks, large companies and listed companies. For them, you'd already be doing much of this anyway."

TMF New Zealand expert

Just one third of those surveyed are rethinking expansion goals given changes in regulatory reporting requirements, indicating a level of preparedness for upcoming shifts.

However, despite global regulatory compliance plans seemingly not deterring expansion on the whole, 50% of North American jurisdictions are rethinking their expansion goals. This could involve businesses pausing incorporation within a jurisdiction due to sizeable compliance reporting requirements, or businesses looking at other jurisdictions with more lenient rules. This can point to the importance of local experts in communicating the compliance processes and requirements to new entrants, so that reporting requirements are not seen as a barrier.

In line with the fact that large proportions of jurisdictions are prepared for future reporting obligations, very few feel that the speed of reporting requirements will increase. This may suggest why only a third (32%) of jurisdictions are reconsidering expansion goals as a result of increased regulatory compliance. With a steady rate of reporting required, businesses may develop such an expertise in reporting requirements that they become business-as-usual.

In contrast, as before, more North and South American jurisdictions predict an increased speed of reporting, at 21% and 20% respectively. This is consistent with these jurisdictions rethinking their expansion goals, given that businesses will not only have to navigate greater reporting demands, but they may also be expected to do so more quickly than before.

Of the 22% that find regulation hinders investment, complexity, language barriers and a lack of clarity are key drivers

TMF Group experts cited the multiple laws or decrees with strict compliance as causing increased complexity. Data protection regulations were regularly identified as one such example - with severe sanctions if not adhered to.

Another layer of complexity is often driven by the need for local reports and documents to be written in local languages, in order for organisations to be compliant. Not only does this require experts with local and up-to-date knowledge of an area, but a level of linguistic skill as well.

"Some of the main challenges associated with regulatory obligations in France include navigating a strict and dense regulatory environment, as well as overcoming the language barrier, since the use of French is required."

TMF France expert

In jurisdictions where regulations were complex, TMF Group experts reported that there often is a lack of clarity or transparency in how regulations need to be applied. Some jurisdictions mentioned inconsistency in advice or instruction between government documents or bodies.

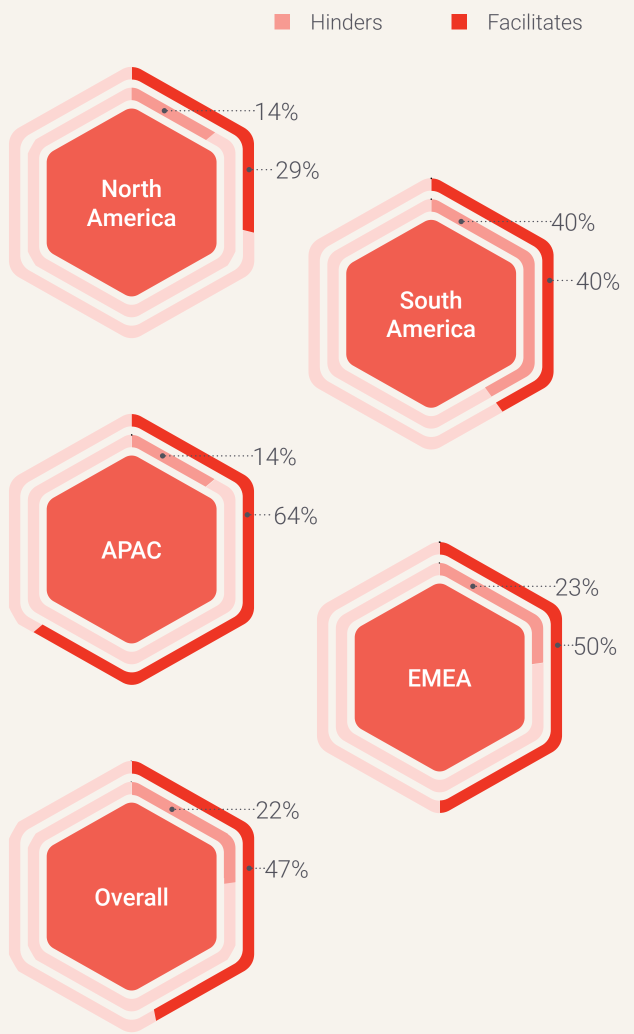
"Regulatory obligation in South Africa often lacks proper insight – it often tries to provide a one size fits all approach and often falls under corporate dispute."

TMF South Africa expert

In contrast, nearly half of TMF Group experts report that regulatory compliance facilitates foreign investment

Nonetheless, increased regulatory compliance requirements are not necessarily viewed in a negative light. In fact, nearly half of TMF Group experts report that regulatory compliance actually facilitates foreign investment. In the scenarios where regulatory compliance facilitates foreign investment, TMF Group experts spoke of the positive benefits associated with accountability. Regulation such as UBO registration or KYC and AML requirements boost confidence in financial markets, as investors feel more confident in the accuracy and transparency of funds.

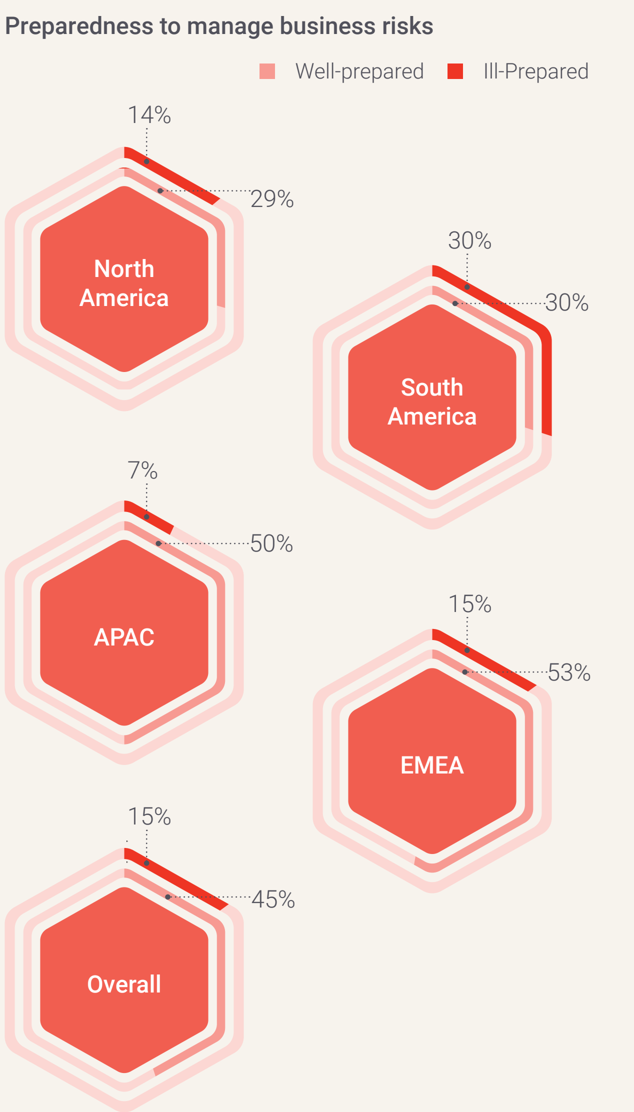
How regulatory compliance impacts foreign investment



Interestingly though, half of the top ten most complex jurisdictions (50%) report that regulatory compliance hinders foreign investment, compared to just 10% of the bottom ten jurisdictions. Meanwhile, seven of the bottom ten least complex jurisdictions report that regulatory compliance facilitates foreign investment.

This relates to what drives the complexity of adhering to regulation. For those considered more complex, lack of clarity and changeable regulation discourage investment. However, for those considered less complex, strong regulatory compliance offers both accountability of and protections for investments.

Almost half of jurisdictions are well-prepared to manage risks, but South America is lagging behind



On the surface, GBCI data suggests that jurisdictions are mostly well-prepared to manage business risk. However, North America and EMEA are the only regions where jurisdictions identified themselves as very well-prepared. The majority of the least complex jurisdictions are well-prepared to manage risks (80%), compared to one in five of the most complex jurisdictions (20%).

Of course, preparedness for risk may depend on the type of risk a jurisdiction faces. TMF Group experts described regulatory risk being easier to prepare for, given the ability to easily predict certain trends within the business environment. What is less easy to predict is political risk, which can see changes to the business environment required at pace.

To increase preparedness, jurisdictions regularly engage local experts to stay informed of changes

Engaging local experts is one crucial method by which organisations can increase their preparedness for risk.

Legal advisors, tax consultants, compliance officers and even labour representatives are often employed by businesses to counter the regulatory complexities of their jurisdictions. Others outsource compliance tasks to avoid the risk of non-adherence.

Given the often quick pace of change, several TMF Group experts mentioned the importance of staying up to date on legislation and regulatory requirements. This involves regular professional training, updates from regulatory bodies and ongoing research into the regulatory environment.

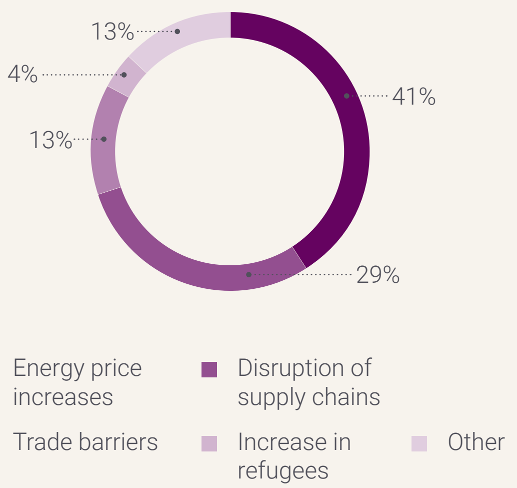
"To comply with frequent law changes, clients either check the regulation changes by themselves or turn to their service provider, tax or legal advisors or outsource their financial activity."

TMF Hungary expert

Multinational risk and how it shapes the business environment

Energy price increases are viewed as the biggest fallout from geopolitical instability

Impacts of geopolitical instability



These results are largely driven by EMEA and the bottom ten jurisdictions, where over half highlight energy price increases as the largest impact of geopolitical instability. In contrast, APAC, South America and the top ten jurisdictions felt more impact from disruption of supply chains at 54%, 50% and 33% respectively.

Unsurprisingly, the war in Ukraine, the Red Sea blockage and declining relations between the US and Mainland China were all identified as key geopolitical issues causing severe disruptions to global supply chains.

For example, jurisdictions that rely on Ukraine for agricultural exports must now find alternatives at less competitive prices, whilst the Red Sea blockage is causing severe delays to the provision of chemicals. In a similar vein, worsening relations between the US and Mainland China were identified as causing supply chain disruptions, due to increased trade barriers and in some places, sanctions. Jurisdictions are finding themselves needing to align with one of the two blocs and thus, halting trade with the alternative side accordingly.

> *“The main geopolitical issue is the struggle between the US and Mainland China, where Australia has taken a stance with the US. This has caused trade tensions with Mainland China, who are imposing restrictions on certain Australian exports. Inflation across wages, oil prices and real estate in Australia has affected businesses adversely, leading to hiring freezes.”*
>
> *TMF Australia expert*

However, supply chain disruption has not necessarily negatively impacted all jurisdictions - for some, it is an opportunity to take market share from previously successful players.

For instance, the war in Ukraine has meant that wheat exports from Russia and Ukraine have seen a dramatic reduction. As a result, many jurisdictions are looking elsewhere for a supplier of agricultural produce. Not only has this provided an opportunity for Argentina to boost its exports, less wheat in circulation also means it has been able to increase its export price. TMF Group experts in Argentina highlighted that while this a key area for growth for the country, it is not without its challenges. Strict export quotas are imposed by the government to ensure there is enough grain supplied internally. This will limit how much the country can grow its exports to meet demand. The cost of fertilizer has also risen due to the conflict in Ukraine. This is having considerable profitability implications for farmers in Argentina, who require more fertilizer to meet increased demand. This is a good example of where supply chain disruption can positively impact a developing jurisdiction, as long as its systems are set-up to respond flexibly.

Similarly, Vietnam is benefitting from the China Plus One Policy, where jurisdictions are looking for more cost-effective manufacturing hubs outside of Mainland China.

Case study: Vietnam

Vietnam finds itself a direct beneficiary of the China Plus One policy, where global investors are looking to diversify their investments away from Mainland China. As a country that shares a border with Mainland China, many companies are now relocating their factories to Vietnam.

TMF Group experts explain that in the last five years, imports from Mainland China into Vietnam have doubled. Considerable work has been done to attract investment from Mainland China, through institutional reforms seeking to simplify the investment procedure for new clients. This includes speeding up the process for licensing and introducing tax incentives in the north of the country for those investing, particularly in technology.

"Vietnam's economy is projected to grow by 6% in 2024, rebounding from a slowdown in 2023. We are continuing to see businesses seeking to relocate their Chinese manufacturing facilities to Vietnam - but there are things we need to get right. The government is focusing a lot on improving infrastructure to demonstrate our attractiveness as a hub, as well as improving tax incentives to attract foreign investment."

TMF Vietnam expert

Significant investment has also been made in order to digitalise processes across regulatory reporting requirements, accounting and tax, and HR and payroll. Within tax, all industries can use e-invoicing and all tax reports are filed online via the website of local tax authorities. This is all in order to help businesses save time and cost and view the process of setting up a business in Vietnam as favourably as possible.

However, this does not mean that the links between Vietnam, Mainland China and the US have been completely removed. In fact, the USA and Vietnam have improved their strategic partnership, upgrading ties to a Comprehensive Strategic Partnership in 2023. In this context, exports from Vietnam to the USA have doubled. This positions Vietnam as a key connector (or bridge economy) between the two power blocs, where they once may have traded directly.

Spotlight: Connector economies

Polarisation is taking place across the world, with declining US and Chinese relations at the heart of this new shift. Global trade flows are rapidly changing and, as a result, we are seeing the emergence of new connector economies, which play a neutral role between the US and Chinese power blocs. As relations between the US and Mainland China continue to decline, two trends are occurring; both the lengthening and the shifting of the supply chain.

Bloomberg identified five key players in this process - Mexico, Vietnam, Indonesia, Poland and Morocco.[1] According to Bloomberg Economics, these countries combined accrued $4 trillion in economic output in 2022, surpassing India and approaching Germany and Japan.[2]

The lengthening of supply chains has seen companies shift production away from Mainland China. This does not sever the link with Chinese trade, as many of these additional stops are highly integrated with Mainland China's economy. This can be seen in the China Plus One strategy where investors are looking to diversify their source of goods away from Mainland China. Vietnam and Indonesia, in particular, are beneficiaries here. According to Bloomberg Economics, Vietnam saw a 60% increase in manufacturing export performance relative to global trends since 2017, whilst Indonesia saw a 32% increase.[3]

Whereas the shifting of supply chains can be seen in the examples of Poland and Mexico. Mexico has benefitted from the US nearshoring production to their shores and away from the Chinese hub. Similarly, Poland has positioned itself as a link between Europe and the rest of the world, getting investment from Mainland China, South Korea and US chipmakers. According to Bloomberg Economics, Mexico and Poland have benefitted most from an increased share in global greenfield investment, with Mexico increasing by 58% and Poland by 12%.[4] Again, both examples represent an indirect link between the two power blocs, having witnessed an increase in Chinese investment as a result.

Whilst these may not be the only players benefitting from shifting global trade, these jurisdictions are geographically and strategically well-positioned to continue to be an important link in US-Mainland China trade.

1 https://www.bloomberg.com/news/articles/2023-11-02/vietnam-poland-mexico-morocco-benefit-from-us-china-tensions?leadSource=uverify%20wall&embedded-checkout=true.

2 Ibid.

3 Ibid.

4 Ibid.

To combat geopolitical instability, jurisdictions are opting to outsource

TMF Group experts across the globe have highlighted the challenges of hiring in the current market climate. An expensive and shrinking talent pool is resulting in higher recruitment and hiring costs, which has led many jurisdictions to outsource.

Almost all regions – with the exception of North America - are outsourcing at a high proportion. APAC jurisdictions are outsourcing at a higher rate of 86%, compared to just 42% of North America. Outsourcing enables businesses to approach economic challenges with high degrees of flexibility, bringing in expertise for short-term contracts only when required. The high-level of outsourcing is also consistent across both the top and bottom ten jurisdictions, at 78% and 75% respectively.

"I think if clients relied on the human resources, that would be too risky because as we all know, the talent in Hong Kong, SAR is very expensive. This year, our talent pool has also become smaller because more people are looking to migrate."

TMF Hong Kong expert

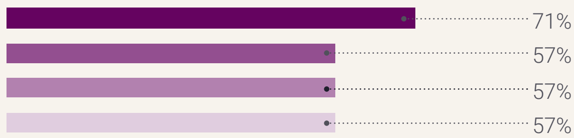
Instead of outsourcing to combat instability, North America adopts a variety of strategies which include the closure of offices/locations, headcount reduction and hiring freezes. High proportions of South America (80%) also opt for headcount reduction, with this strategy strongly linked to a jurisdiction's labour laws. Where countries are more easily able to let employees go and in doing so create a leaner workforce, it can be an easier method of off-setting instability.

Jurisdictions are revising potential growth plans and expansion goals due to geopolitical instability

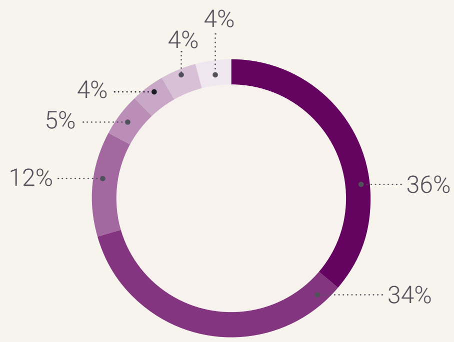
Worldwide geopolitical instability is predicted to have a longer-term impact on growth (36%) and expansion goals (34%) for organisations operating globally. For jurisdictions in North America, this increases to nearly half (46%) of jurisdictions revising their potential growth plans and half of jurisdictions (50%) in South America rethinking their expansion goals.

In comparison, whilst supply chains in the short-term are being disrupted, jurisdictions are confident this will stabilise somewhat in the long run, with only 12% predicting continued disruption. This points to a confidence in the ability of the global market to adapt and identify opportunities elsewhere.

Combatting geopolitical instability



Predictions of long-term impacts of global geopolitical instability



Case study: Mexico

Since 2020, Mexico has benefitted from the US adopting a nearshoring approach for sourcing manufactured goods. Before Covid-19, the US relied on the trade of goods from Mainland China, Vietnam and Thailand, amongst others. When this was halted and as relations with Mainland China declined, the US were forced to reconsider its trading routes. As a result, it has relocated a lot of its business to closer jurisdictions, including Mexico.

Whilst this is an incredible growth opportunity for Mexico, it also comes with its challenges. Businesses operating in Mexico face difficulties around finding a skilled workforce, long procedures to set-up a business with many elements to comply with and unclear tax requirements. The country is working to improve tax incentives and tax treaties with the US as a way of combatting this.

"Mexico was a perfect location for the US to establish business. Covid-19 saw big changes in US supply chains and we were a good option because we are cheap, we have space and we have infrastructure. But we do need to work on certain aspects of business, such as digitalisation of taxation. This will help even more people in wanting to set up business here."

TMF Mexico expert

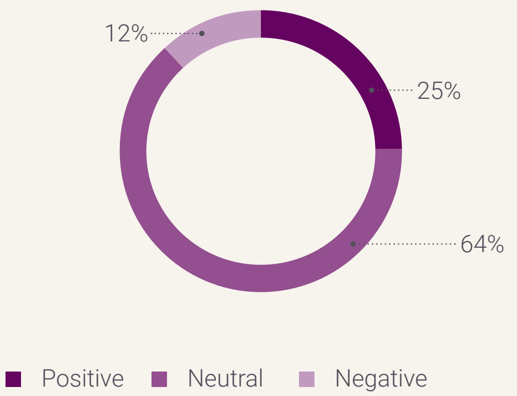
Outside of the APAC region, many jurisdictions see recent changes in trade policies as having had no impact

Overall, 64% of jurisdictions see recent changes in trade policies as having had no impact on level of trade. In contrast, 43% of jurisdictions in the APAC region and 30% of top ten jurisdictions view impacts to have been more positive. TMF Group experts operating both in APAC and more complex jurisdictions spoke of numerous trade policies created to cement close liaison within the region.

Indonesia and Malaysia (with the former also identified as a bridge country) are both examples of this. In Malaysia, the government has implemented the New Industrial Master Plan and the National Trade Blueprint, both attempts to boost export capacity with key players in the region. Likewise, the global entity management section of this report outlines the role of the Omnibus Law in Indonesia.

In contrast, none of the bottom ten jurisdictions perceived a positive impact of recent changes in government trade policies, with a third citing a negative impact. Some TMF Group experts, namely Australia and the UK, suggested this was the result of aforementioned geopolitical tensions, with jurisdictions limiting or stopping trade with certain jurisdictions, or having high tariffs imposed against them.

Impact of recent changes in government trade policies



The majority of jurisdictions recognise the importance of regional integration

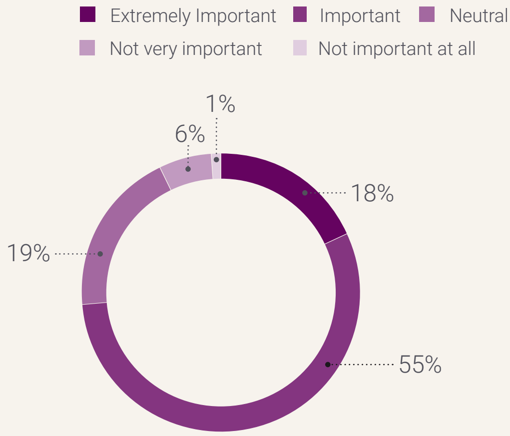
Three quarters of jurisdictions (73%) acknowledge the importance of regional integration in organisational success. North American and APAC jurisdictions particularly recognise the benefit of regional integration at 86%, which then drops to 50% for South America. South American jurisdictions also have the highest proportion of jurisdictions who view regional integration as unimportant, at 20% compared to 8% overall.

TMF Group experts located in APAC - namely Singapore, Hong Kong, SAR, Vietnam, Malaysia and Indonesia - noted that integration can be a beneficial way to create a frictionless flow of trade, capital and intellectual property. Creating trade policies or improving economic cooperation can not only improve market efficiency, but also lead to faster regional growth.

Jurisdictions utilise regional integration as a way to access new markets and for business growth

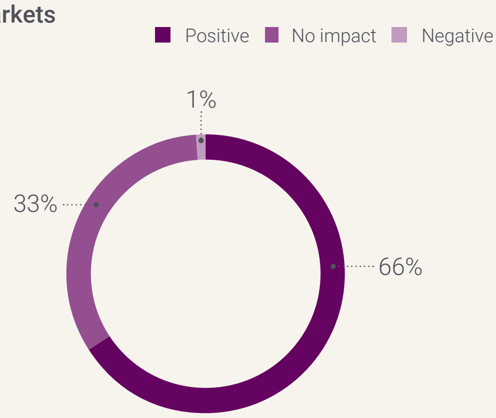
A large majority (71%) of jurisdictions leverage regional integration for business growth (71%) and use it as a tool for accessing new markets (66%). Only 1% of jurisdictions report a negative impact of regional integration. Regional integration is most commonly leveraged in South America (89%) and APAC (79%), and commonly adopted in APAC (86%) to access new markets. As mentioned previously in this report, some bridge economies - namely Indonesia and Vietnam – are tangible examples of jurisdictions that benefit from regional integration as a means of accessing new markets.

Importance of regional integration in organisational success

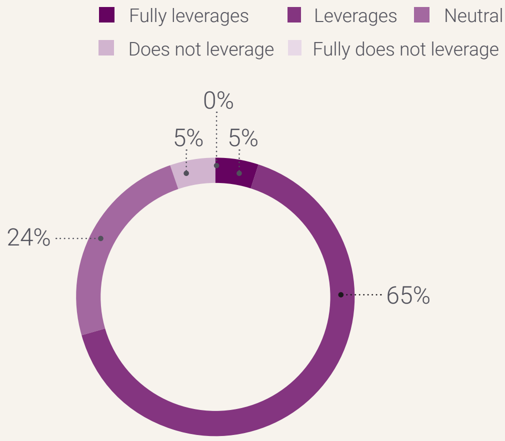


Net: important	73%
Net: not important	8%

Impact of regional integration on accessing new markets



Extent that organisations leverage regional integration opportunities for business growth



Net: important	71%
Net: not important	5%

Growth in uncertain times – strategies for success

Growth opportunities can be found in regional competition and workforce availability

Jurisdictions identified being more competitive than their neighbours as a major driver of growth. This is closely followed by workforce availability. Being competitive regionally allows jurisdictions to stand out within an area and become the most attractive option for foreign investors. This can be for a variety of reasons, including ease of setting up a business, reduced complexity around regulatory compliance, transparent regulations and even natural resources.

Interestingly, this is slightly different when split by complexity - where the top ten most complex jurisdictions find growth in the competition their jurisdiction offers, in comparison to other regions, while the bottom ten find growth in stability. Similarly, whilst South American jurisdictions benefit from regional competition, APAC and North America benefit from their respective stable economic outlooks and regulatory regimes.

Areas that drive growth are diverse, with the contribution of technology most common

Although jurisdictions named a variety of factors that impact growth, IT and technology topped the rankings as most influential. Jurisdictions in North America showed slight deviation, with tourism placing particularly high at 33%.

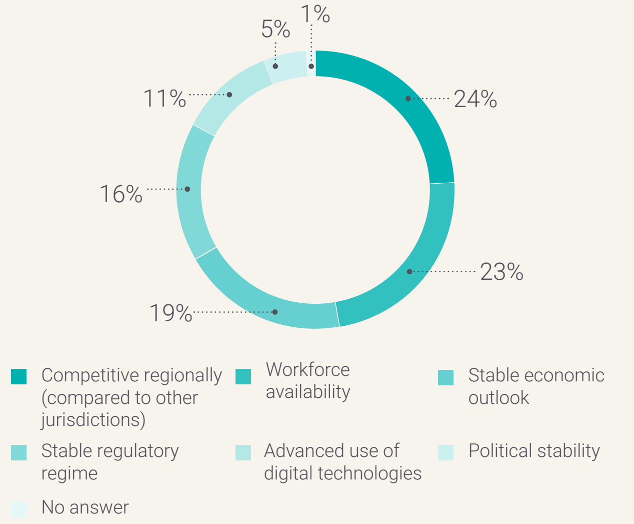
Technology offers growth in multiple ways. It can provide growth opportunities where countries possess technological manufacturing expertise and can increase their market share through production. Using technology to boost productivity was also identified in relation to workforce streamlining. Multiple jurisdictions, including New Zealand and Hong Kong, SAR, were seeing companies automating back-office, entry level and part-time jobs using generative AI to keep workforce numbers low and focus on higher value tasks.

Opinion is split on businesses ability to quickly adapt staffing levels to meet demand

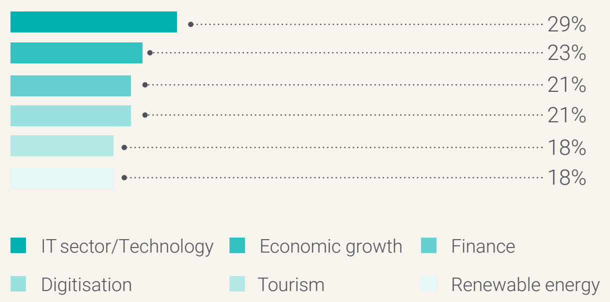
One third of jurisdictions feel they can adapt staffing levels quickly to meet demand (34%), while a similar proportion suggest a slower pace (32%). When split by regions, South America and APAC are more able to adapt staffing levels quickly (at 50% for both), while nearly half of EMEA jurisdictions (46%) report only being able to adapt slowly.

The ability to effectively respond to demand is largely dependent on two dynamics: local labour laws and regional talent. Jurisdictions with tight labour laws and a strong union presence - or those with a shortage of available talent - are much less able to adapt staffing levels responsively.

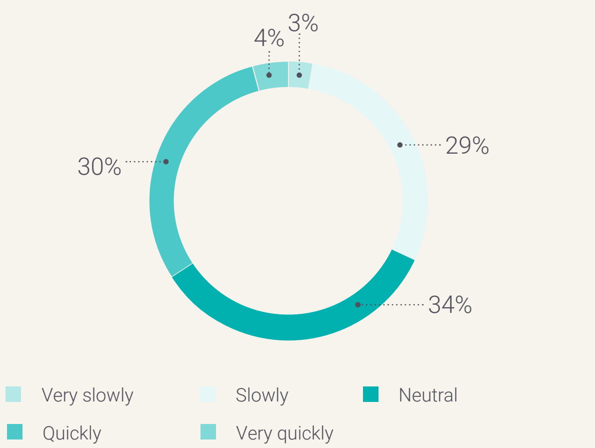
Factors that offer opportunity for growth



Main opportunities for growth



Speed that organisations can adapt staffing levels



“The Belgian labour market is extraordinarily candidate-driven, and talent is the new gold. So there is currently a war for talent, meaning a very challenging labour market for employers.”

TMF Belgium expert

The majority of jurisdictions find it challenging to retain and attract talent

A large majority of jurisdictions find it challenging to attract and retain talent (78%) – with this number even higher for the EMEA (90%) and APAC (79%) regions. In contrast, only 43% of North America find it challenging to attract talent. The North American results may be linked to the limited, albeit improving, severance packages operable in the US, where greater turnover of staff will have a limited impact on businesses’ bottom line.

Factors preventing an agile workforce tend to relate to the regulatory or economic environment of a jurisdiction

High costs, elusive talent, rigid labour laws and economic uncertainty were all cited as key factors preventing organisations from quickly adapting staffing levels.

High costs were more strongly emphasised in South America at 38%, compared to 28% overall. Meanwhile, jurisdictions in EMEA find it particularly hard to find good talent at 36%, compared to 26% overall. High costs tended to be linked to a limited talent pool, where trained talent had either moved elsewhere or were demanding higher salaries due to an increased cost of living.

“Low unemployment makes it an employee market. Finding new staff is not easy and increases salary expectations automatically.”

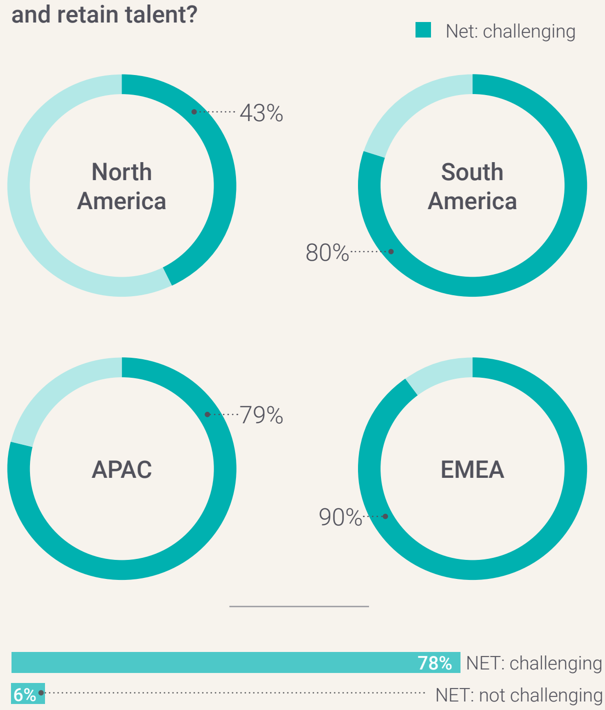
TMF Switzerland expert

In some jurisdictions, union presence can make it costly for businesses to invest in the local workforce, with tight laws on severance and pay packets.

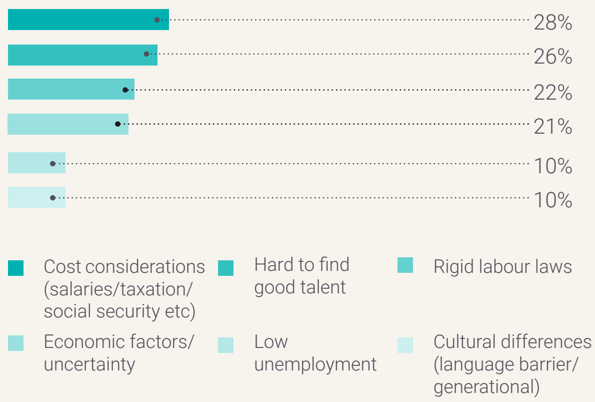
Argentina has high inflation, which generates a rotation in the work teams of all companies. Labour unions are also very involved and generate an increasing labour cost - in some cases even above business performance.”

TMF Argentina expert

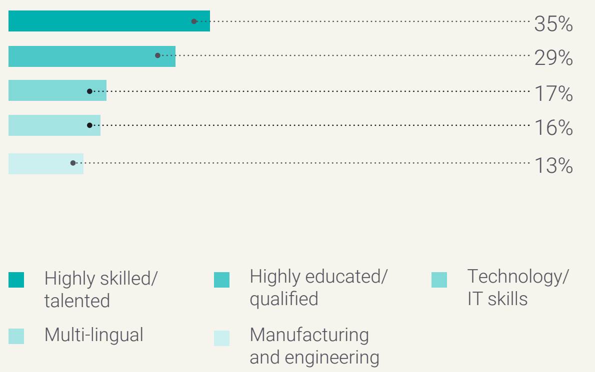
How challenging is it for organisations to attract and retain talent?



Top factors preventing organisations from quickly adapting staffing levels



Opportunities associated with the existing talent



Despite the barriers in hiring staff, TMF Group experts highlight several areas of opportunity in attracting and retaining talent

Many TMF Group experts cited the availability of a highly skilled and educated workforce - specifically expertise in IT, engineering, finance and technology - as a crucial benefit of existing talent in certain jurisdictions. Several experts also emphasised the multilingual skills of the local workforce as a great opportunity for investment, particularly in the increasingly global context of business operations.

In the majority of jurisdictions, companies are required to abide by at least one ESG legislation

Consumer protection and human rights are embedded regulations, with large proportions of jurisdictions having to abide and report by these legislations. In only two jurisdictions, namely Curacao and Venezuela, are companies not required to abide by any ESG legislation and/or report on their activities. Higher proportions have to abide by human rights legislation in EMEA (95%) and North America (93%), compared to 88% overall.

Legislation on greenhouse gas emissions, sustainability and reducing waste also feature highly, with over half of all jurisdictions needing to report on their activities. This continues an upward trend on reporting on environmental sustainability from 2023, with many governments and authorities making concerted efforts to hold businesses to account in reducing their carbon footprint.

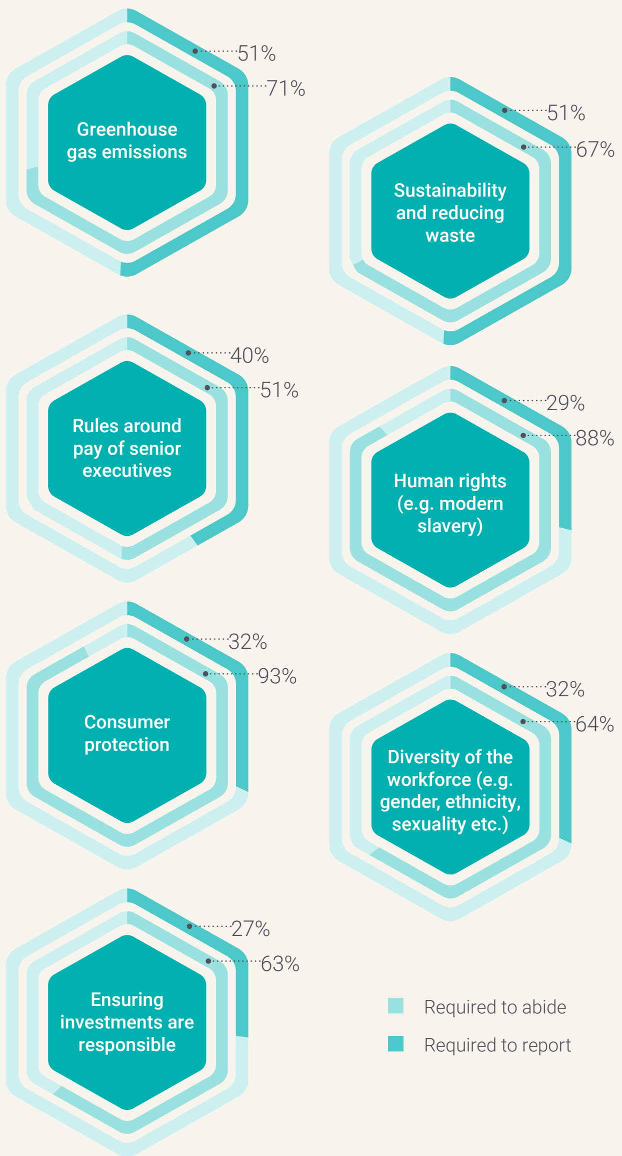
This is a slightly different story in South America, with a large proportion of South American jurisdictions not required to abide by or report on sustainability legislation (40%) or human rights (40%). TMF Group experts noted how political instability in the region, namely in Argentina, Peru and Bolivia, can make it difficult for ESG legislation to be sustained or prioritised.

There is a split among jurisdictions feeling prepared for new or unexpected ESG legislation

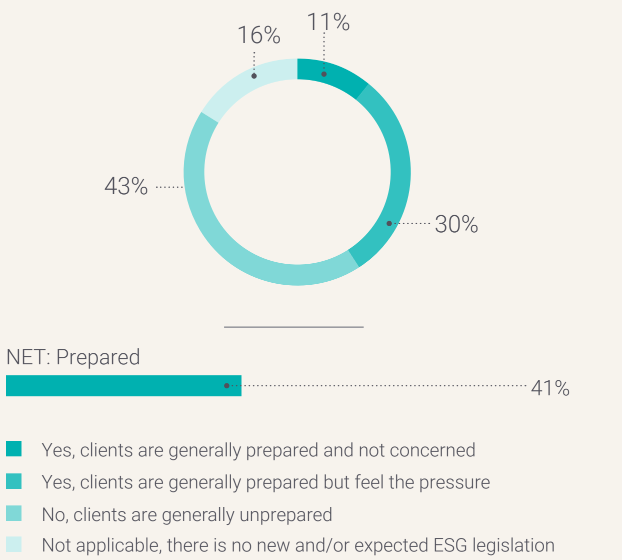
While 41% expressed preparedness, a third of jurisdictions still feel the pressure around ESG legislation. Adhering to global sustainability standards (28%) and cross-industry ESG reporting (26%) are the two most common elements of changing ESG legislation that can create complexity for jurisdictions. This is particularly the case in APAC jurisdictions, scoring 46% and 62%, respectively.

Given reporting requirements for ESG are likely to increase, it is likely that companies will continue to feel this pressure. It is expected that the level of reporting will only become more pronounced - moving away from box-ticking exercises and toward more in-depth metrics.

Government legislation requirements for companies



Preparation for new / unexpected ESG legislation



Global Business Complexity Index Rankings 2024

Ten **most complex** jurisdictions

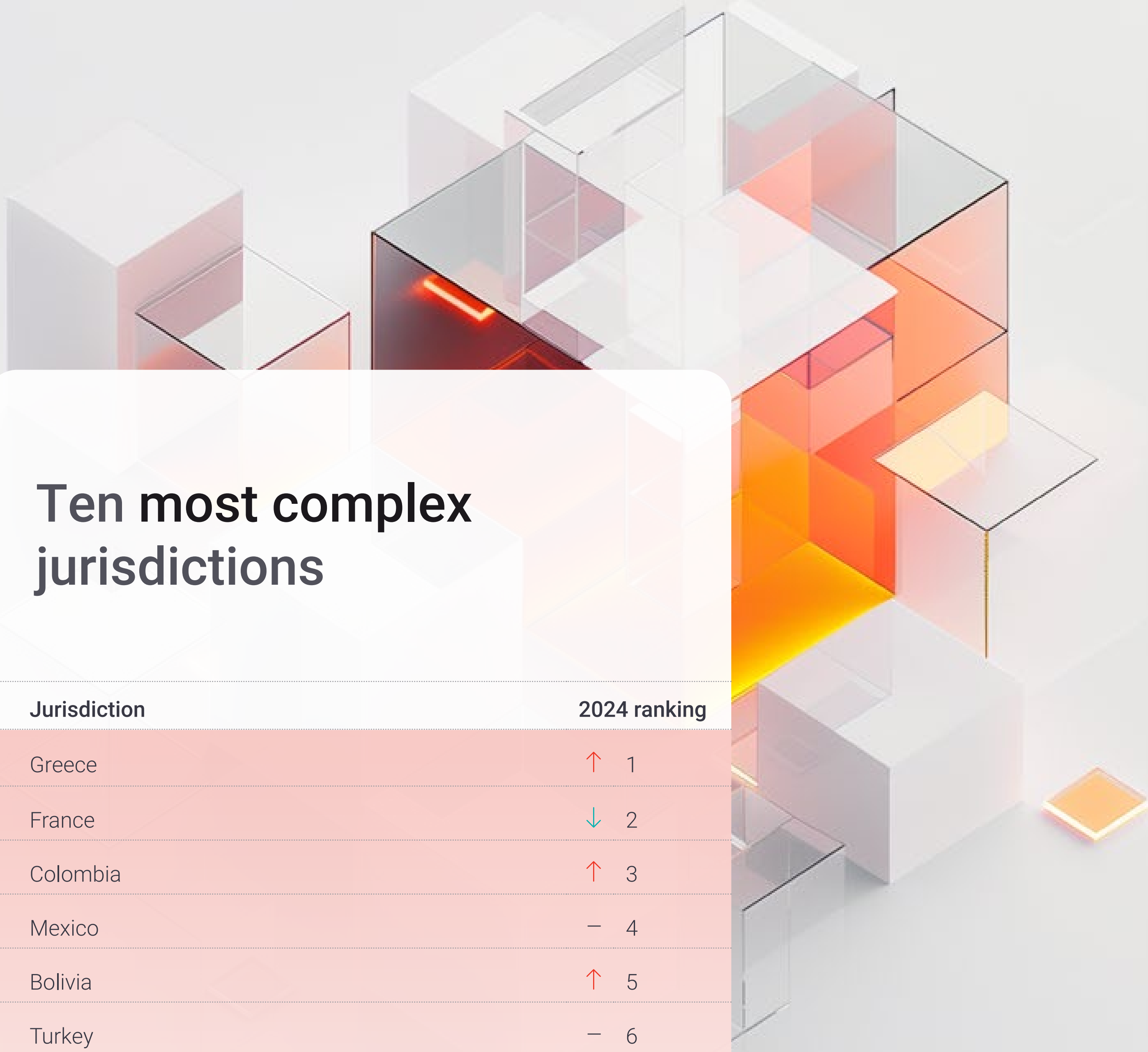
2024			2023	2022
1	↑	Greece	2	6
2	↓	France	1	2
3	↑	Colombia	5	5
4	–	Mexico	4	4
5	↑	Bolivia	9	9
6	–	Turkey	6	7
7	↓	Brazil	3	1
8	–	Italy	8	8
9	↓	Peru	7	3
10	↑	Kazakhstan	23	24
11	↑	China’s Mainland	15	14
12	↓	Argentina	10	12
13	↑	Paraguay	19	19
14	↓	Belgium	13	17
15	↑	Spain	41	39
16	↓	Indonesia	11	11

2024			2023	2022
17	↑	Croatia	20	34
18	↓	Poland	12	10
19	↓	South Korea	16	16
20	↑	Romania	24	33
21	↓	Chile	14	15
22	–	Venezuela	22	21
23	↑	Hungary	28	38
24	↓	Ukraine	17	31
25	↑	Portugal	38	37
26	↑	Uruguay	35	27
27	↑	Slovakia	29	29
28	↑	Egypt	30	NA
29	↓	Malaysia	21	22
30	↑	Ecuador	40	40
31	↑	Slovenia	32	26
32	↑	Austria	34	23

2024			2023	2022
33	–	India	33	25
34	↓	Philippines	31	30
35	↑	Russia	36	32
36	↓	Germany	25	20
37	–	Saudi Arabia	New	New
38	↑	Japan	43	51
39	↓	Panama	27	35
40	↑	United Arab Emirates	53	61
41	↑	Serbia	42	41
42	↓	Sweden	39	13
43	↑	Bulgaria	55	50
44	↓	Guatemala	37	36
45	↑	Canada	48	52
46	↓	Dominican Republic	18	28
47	↑	Singapore	59	58
48	↑	Qatar	58	55
49	↓	Vietnam	46	42
50	↓	El Salvador	44	44
51	↓	Costa Rica	45	45
52	↑	Taiwan ROC	54	43
53	↓	Nicaragua	26	18
54	↓	Thailand	52	49
55	↓	Finland	50	46
56	↑	Switzerland	62	60

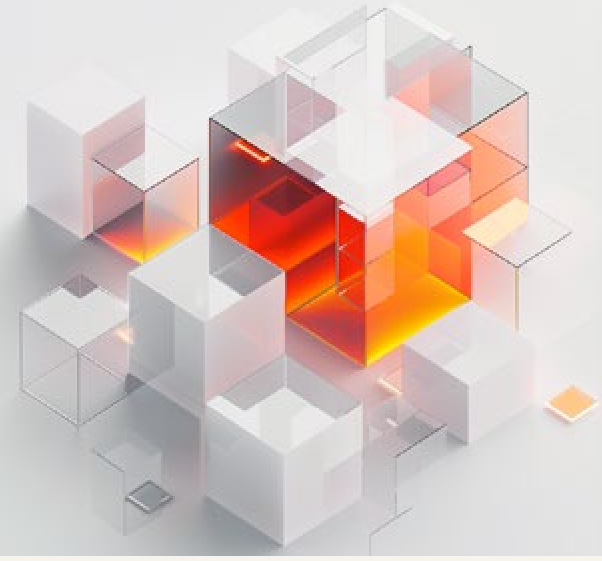
2024			2023	2022
57	↓	South Africa	51	48
58	↑	Australia	60	65
59	↑	Israel	63	64
60	↓	Honduras	47	47
61	↑	Mauritius	64	62
62	↓	Cyprus	56	53
63	↑	United States of America (USA)	68	71
64	↑	Luxembourg	66	57
65	↓	Guernsey	61	66
66	↑	Norway	67	69
67	↓	Republic of Ireland	57	54
68	↑	Malta	69	67
69	↓	Czech Republic	65	63
70	↓	Jamaica	49	59
71	↑	British Virgin Islands	73	73
72	↓	Jersey	70	72
73	↓	United Kingdom	72	68
74	↑	The Netherlands	75	56
75	↓	New Zealand	71	70
76	↓	Hong Kong, SAR	74	74
77	–	Denmark	77	75
78	↓	Curacao	76	76
79	↓	Cayman Islands	78	77

Ten **least complex** jurisdictions



Ten most complex jurisdictions

Jurisdiction	2024 ranking
Greece	↑ 1
France	↓ 2
Colombia	↑ 3
Mexico	– 4
Bolivia	↑ 5
Turkey	– 6
Brazil	↓ 7
Italy	– 8
Peru	↓ 9
Kazakhstan	↑ 10



↑ 1. Greece

Greece ranks as this year's most complex jurisdiction, climbing from 6th in 2022 and 2nd in 2023. While Greece has consistently been considered complex, particularly within accounting and taxation (A&T), its HR and payroll (HRP) functions have increased in complexity in 2024.

The complexity of today's business environment is driven by several key factors. In the first instance, there is the need to comply with numerous aspects of legislation. TMF Group experts in Greece identified up to 31 decisions and one new legislation per week that companies have to abide by.

And rather than simplifying processes, digitalisation has instead added an additional layer of complexity. One example is MyData, an accounting software necessitating digital submissions, that requires multiple new deadlines across platforms. Limited knowledge of these complexities can often compel foreign investors to seek third-party advisors for A&T and HRP, only increasing costs. Challenges are expected to persist in the short-term as businesses adapt to new requirements, but the long-term outlooks anticipates that digitalisation will simplify operations over time.

"I believe that 2024 is going to be the worst in terms of complexity and compliance. This is because the majority of the local small and medium-sized accounting firms never thought that data would progress, nor that authorities would introduce such mandatory changes. So now they are facing huge backlog."

TMF Greece expert

↓ 2. France

France ranks second in this year's GBCI, dropping from first place in 2023. The nation's unique accounting measures and French language requirements surprise many foreign finance directors, adding to its complexity as a place to do business. The country has seen a rise in new regulations in 2024, including UBO identification and tax changes, which has also increased compliance costs. In addition, stringent labour regulations designed to protect employees make workforce adjustments challenging, increasing hiring and retention costs.

Despite these complexities, France has a stable trading environment, largely driven by European regulations. As an EU member and OECD headquarters, France attracts talent from all over Europe. However, compliance with the European Union Non-Financial Reporting Directive (NFRD) and rising ESG regulations introduces additional reporting challenges - from disability and gender gaps to waste and other environmental concerns. While some of these challenges are offset by strides in digitalisation of reporting, implementation is slow and requires upfront adaptation.

"France is often viewed as an attractive market to operate in, in the European Union, with a high number of senior executives of foreign companies operating here. However, it can also be challenging for foreign businesses. Factors that contribute to this complexity include the focus on maintaining traditional ways of working, such as the use of the French language, particularly with administrations. The regulatory environment is very heavy and labour laws are particularly complex, with high protection for employees. Despite these challenges, the French government is making progress in developing more simplified processes in certain areas."

TMF France expert

↑ 3. Colombia

Colombia's high ranking is driven by its complex accounting and tax systems. As a jurisdiction, its business environment is characterised by frequent tax reforms, with as many as 19 reforms introduced in the past seven years.

Whilst Colombia boasts over 100 international treaties to boost trade and investment, it faces political and social instability which has in turn discouraged investors. It is expected that this trend will reverse in the next three to six months, presenting more opportunities for investment in the jurisdiction. For example, following recent regional elections, there has been a shift towards the political centre right, encouraging more investors to consider Colombia as a viable investment destination.

Colombia has been ahead of the curve in implementing ESG reporting processes, as businesses have been adapting to this standard for around five to six years. As such, while additional reporting adds an element of complexity, it is not expected to significantly impact the overall business environment. Instead, it places Columbia in a good position, as ESG principles become increasingly more common worldwide.

"Colombia is a very complex country in which to do business. The complexity includes not only regulatory issues but also the cultural aspects of its regions. It is essential that investors always have a local ally who knows how to guide them through the subtleties that each complexity may present."

TMF Colombia expert

– 4. Mexico

Mexico ranks 4th in the 2024 GBCI, with complex rules and regulations making a major contribution to its overall complexity. The time it takes to set up a bank account and varying requirements for obtaining a working visa are examples of this complexity. Despite these, Mexico has made strides in digitalisation, with systems like e-invoicing and electronic signatures simplifying bookkeeping. Efforts to improve AML requirements are underway to boost investor confidence, though this also means increased audits for companies.

Mexico benefits from nearshoring with the US due to its geographical location, infrastructure, land availability and lower costs, contributing to 4% of its growth. Participation in the T-MEC treaty with the US and Canada has enabled this and has created one of the world's largest free trade zones. Efforts to improve automation, particularly within HR and payroll , are ongoing, with OECD alignment providing confidence and security for investors, despite additional complexities.

"Mexico is the door to all of Latam and at the same time, the window to the US. So, I think that, even though we have experienced challenges - changes in our processes and government - we're still ready."

TMF Mexico expert

↑ 5. Bolivia

Bolivia remains a complex jurisdiction, ranking 5th in overall rankings and up from 9th in 2023.

Its complexity is driven by an old-fashioned taxation system, requiring physical presence and knowledge of the local language. Both to set up a business and report on an ongoing basis, in-person submissions are often required. Not only does this slow a process down, but it requires a regular physical presence in the region. This is further complicated by the fact that there are high sanctions should your company not abide by taxation and payroll requirements.

Currently, its main opportunity for growth comes from agricultural exports, trading with other South American countries. However, the political situation in South America poses a threat to this set-up. With changing governments across the region, the jurisdiction is unsure of how long positive relations will maintain.

"It can be difficult to operate in Bolivia because of the taxation system. You have to make tax submissions using physical or paper submissions. In addition, you have to maintain these physical papers for 8 years, in the case of auditing. This can make it hard for international business."

TMF Bolivia expert

– 6. Turkey

Ranking 6th in the GBCI, Turkey maintains its position as a highly complex jurisdiction. The frequent changes to tax laws, including procedural tax, VAT and income tax, primarily drive this complexity. For example, the recent introduction of a recycling contribution fee as a new customs tax on imports has further complicated tax reporting.

Hyperinflation has led to new capital requirements for specific sectors, increasing the risk of non-compliance and complexity. Despite the government implementing VAT exemptions to reduce complexity for the production sector, the resulting bureaucratic process and additional paperwork often deter companies from taking advantage of these incentives.

The requirement for Turkish language proficiency in this bureaucratic environment presents another layer of complexity. All documents must be in Turkish, posing a challenge for companies without Turkish-speaking employees. Therefore, the combination of staying abreast of changing laws and ensuring linguistic adequacy in document submission contributes to a challenging business environment.

"Unfortunately, the Turkish government does not have a specific economic plan to address hyperinflation, nor the devaluation of Turkish lira. This economic instability affects all the people and for sure, clients."

TMF Turkey expert

↓ 7. Brazil

In this year's GBCI, Brazil's ranking fell from 3rd to 7th. This change is attributed more to other jurisdictions becoming more complex than any internal changes in Brazil. The prime complexity drivers in Brazil are tax legislation and varied legislation at different administrative levels.

Brazil's tax legislation, characterised by local variations, makes operations planning complex. Choosing an optimal tax regime will depend on the industry and the part of Brazil you want to operate in. Additionally, labour regimes and union strength also majorly differ across the country, with the South having more available talent. This necessitates strong local knowledge of the country.

There are some internal concerns over proposed tax reforms, which is a key topic on the government's agenda. The proposed reform is not expected to be radical, but it has raised concerns among companies about a potential increase in taxes. Specifically for services and IT, discussions around an incentive designed to reduce labour taxes and encourage hiring are being reconsidered.

Despite these complexities and uncertainties, Brazil seeks to expand its global trade reach, particularly within agro-exports. Efforts are ongoing to join the OECD, boost international trading relations and promote regional integration through Mercosur.

"When inflation started to skyrocket, Brazil's Central Bank put measures in place to control inflation and was one step ahead of the trend. So, with both the cost of capital and inflation rates coming down, there's probably more predictability."

TMF Brazil expert

– 8. Italy

Italy, ranking 8th in complexity, has shown significant improvement in its HRP services, while A&T and GEM remain complex. Italy's tax complexity is due to numerous decrees, laws and resolutions issued on an annual basis. Despite efforts to reduce tax complexity, such as replacing the Dividend Exemption with a preferential tax rate for foreign shareholders, frequent changes remain.

Digitalisation efforts, like e-invoicing, have made bookkeeping simpler, though each new entry adds to the tax treatment complexity. Companies often rely on specialists to interpret and understand the impact of these changes.

Incorporating a company in Italy is not overly complicated, but complying with numerous monthly obligations across accounting, tax, invoicing and HR is challenging. The online UBO registry has introduced another layer of compliance, particularly due to its slight difference in requirements from other countries.

Geopolitically, Italy's status as a production hub makes it vulnerable to supply chain disruptions, such as sourcing grain from Ukraine and the blockage of the Red Sea oil route, causing delays and forcing the exploration of potentially less competitive alternatives.

"Despite the regulatory challenges, Italy remains a reliable place to do business. However, businesses often require the services of lawyers, tax specialists and labour consultants to navigate the business environment."

TMF Italy expert

↓ 9. Peru

Ranking 9th overall, Peru is least complex within its HRP service line, but ranks as highly complex across A&T and GEM.

Peru offers good natural resources, but due to complicated licensing processes for international companies, it can be a challenging place in which to set up a business. This is amplified by the political situation, which has been uncertain since 2016. There have been considerable public grievances, driven by distrust of political leaders, economic inequality and extreme polarisation, for multiple years. This both makes it an unstable place to invest in and offers a limited talent pool for companies due to limited investment in education. Whilst there are hubs of skilled workforce, this is not consistent across the country.

The complexity of regulation, particularly around labour laws, also poses difficulties for international investors. The labour market is highly regulated and tilts the balance towards the worker, with limitations on dismissal for payment of compensation. This can slow down hiring. With regards to tax, there are regular changes to laws around submissions which can be difficult to follow. However, this varies across industries. There are sectors such as pharmaceuticals that are complex due to the difficulty of obtaining records for products, but mining is more attractive. This is predicted to be an area of economic growth.

"Mining will be the engine of economic growth in Peru. Whilst there are complexities to our labour laws and changing taxation regulation, this is no different to other countries. Investors are just not confident in the stability of the country due to a polarisation of the political landscape."

TMF Peru expert

↑ 10. Kazakhstan

Kazakhstan's complexity is mostly driven by its complex HRP processes. Increased scrutiny on currency control and international taxation pose additional challenges, especially when applying for working visas and permits.

Despite these complexities, Kazakhstan's government is keen to attract investments and continuously reviews legislation. Notably, a shift in tax regulation was marked by replacing the Dividend Exemption with a preferential tax rate for foreign shareholders. However, global corporations often struggle to keep internal reporting up to date with the frequently changing legislation.

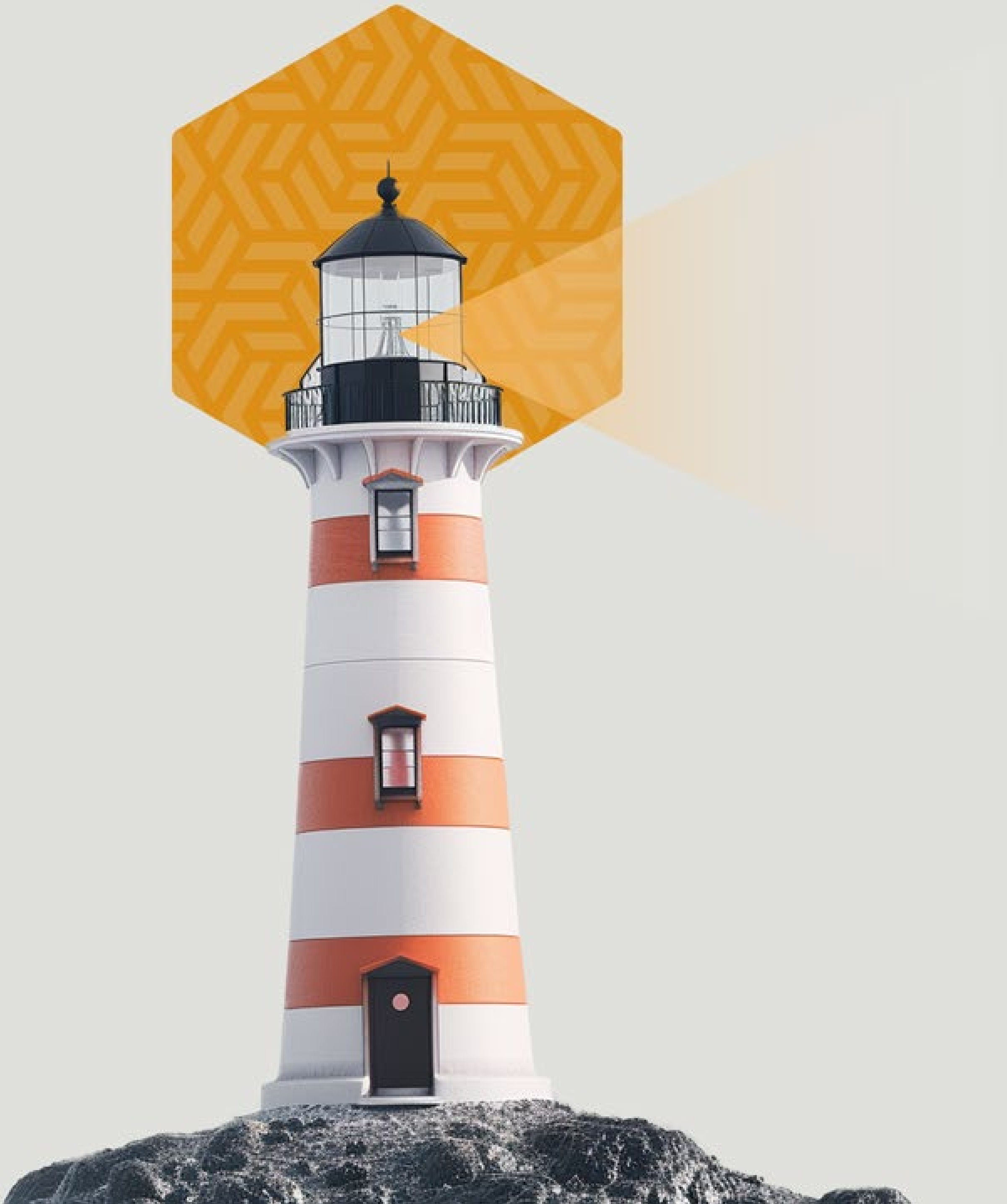
In line with global digitalisation trends, Kazakhstan is transforming its processes for transparency and accountability, with a focus on data privacy and security.

Unsurprisingly, Kazakhstan has also been largely impacted by the conflict in Ukraine. Regulatory measures have been implemented to manage parallel imports and reduce disruptions, but these have not completely reduced the risk. Nonetheless, the economy has witnessed a positive trend with Russian businesses relocating to Kazakhstan. Efforts are also being made to attract talent from other regions, particularly within expertise-specific industries like the nuclear sector.

"The intent of our governments is to behave in a diplomatic way within the market, with both our near and far neighbours and partisan country partners. So, it's balancing that intent while still attracting investments to help the economy grow."

TMF Kazakhstan expert

Accounting and tax (A&T)



Complexity has levelled out but continues to be a burden for many jurisdictions

Accounting and tax (A&T) is a key pillar of business incorporation and operation worldwide. It can contribute to overall complexity for businesses by creating cumbersome administrative tasks, but also by raising the threat of serious consequences, like forced termination of operations and even imprisonment. As such, getting A&T right is crucial in driving global business forward.

42% of jurisdictions continue to predict that A&T will become more complex over the next five years. Although this is a slight drop on 2023 (from 45%), it represents a net increase on 2020 and 2021 at 40% and 39%. Tax was repeatedly noted by jurisdictions to be the service line that drove complexity, with frequency of changes in legislation and tax along with the complexity of the tax system cited as challenges for foreign investors.

"In Italy, there are multiple decrees, laws and resolutions that tax officers issue every year - the complexity is to serve into each of them."

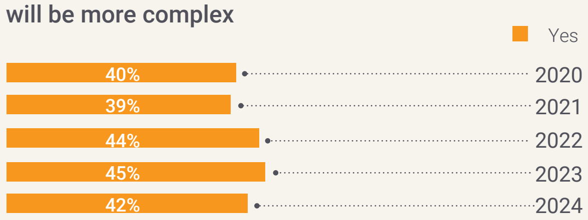
TMF Italy expert

Legislation continues to be tough and inflexible

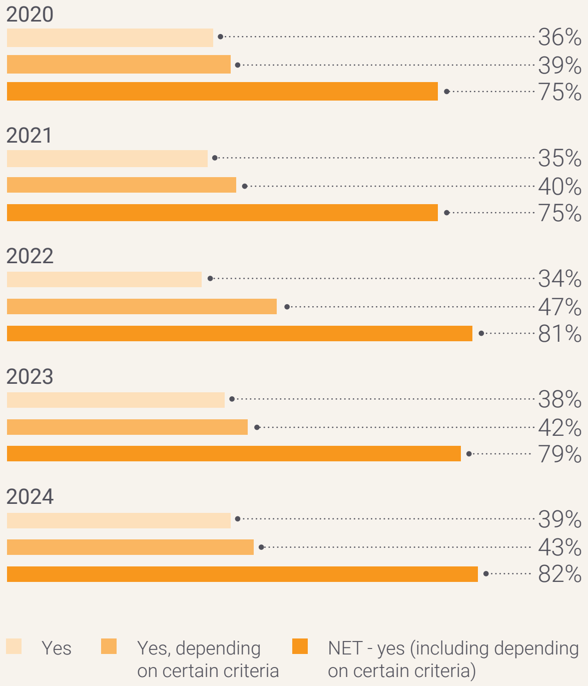
Legislation continues to be stringent. Increased licensing is affecting the majority of jurisdictions, representing an increase from 75% in 2020-2021 to now 82%. Increased licensing is something that all of the most complex jurisdictions have to follow, compared to four of the least complex jurisdictions who do not have this requirement. These include the BVI, New Zealand, the United Kingdom, and Denmark, who all highlighted that A&T requirements drive complexity.

There has been a notable increase in businesses needing to comply with local GAAP - an increase over the past five years from 42% in 2020, with now two thirds (64%) of jurisdictions requiring all companies to adhere to this standard. Such accounting standards add to the complexity of compliance, particularly if local standards differ from global ones. These complexities in legislation include transfer pricing and the multitude of statutory and varied requirements - not only compared to other jurisdictions, but also within the various regions in a singular jurisdiction.

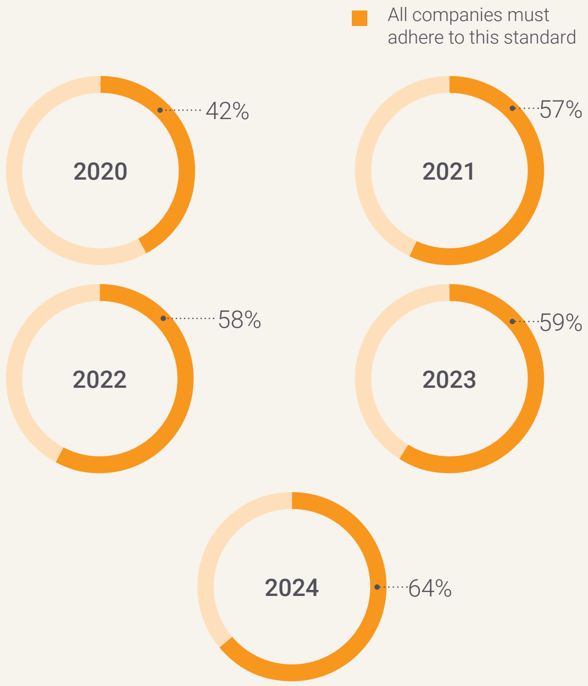
Agreement that over the next five years A&T will be more complex



Requirement to obtain local business licence prior to becoming operational



Local GAAP - Application of accounting standards

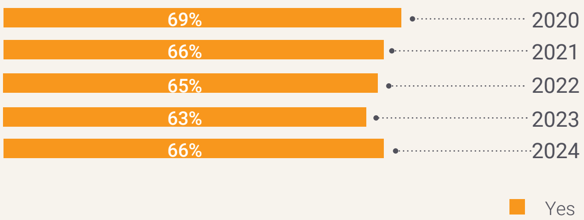


“South African transfer pricing and permanent establishment rules and requirements are quite onerous. Securing VAT and tax representative registrations continue to be challenging and are known to be riddled with excessive bureaucracy, inconsistent execution and major delays.”

TMF South Africa expert

The need for local input and local requirements in tax compliance increases

Is it compulsory to maintain the local accounts (TB and GL) in local language?



Local language requirements continue to be a barrier in many jurisdictions. This can cause significant problems for multinational companies and foreign investors as it increases the need to maintain language proficiency and translation capabilities within their organisations. This can be costly and also cause additional compliance and legal risks if local experts are not engaged to support. Language requirements also often work in conjunction with other local specificities.

“Two things are certain: taxes and changes. This year the combination of the two – changes in tax landscape – are especially visible, according to our on-the-ground experts. Digitalisation, shorter time spans and greater granularity are some of the trends here. While those changes might simplify the tax compliance burden for companies in the longer term, they undoubtfully bring initially some complexity spikes and require a diligent preparation.”

TMF Accounting and tax expert

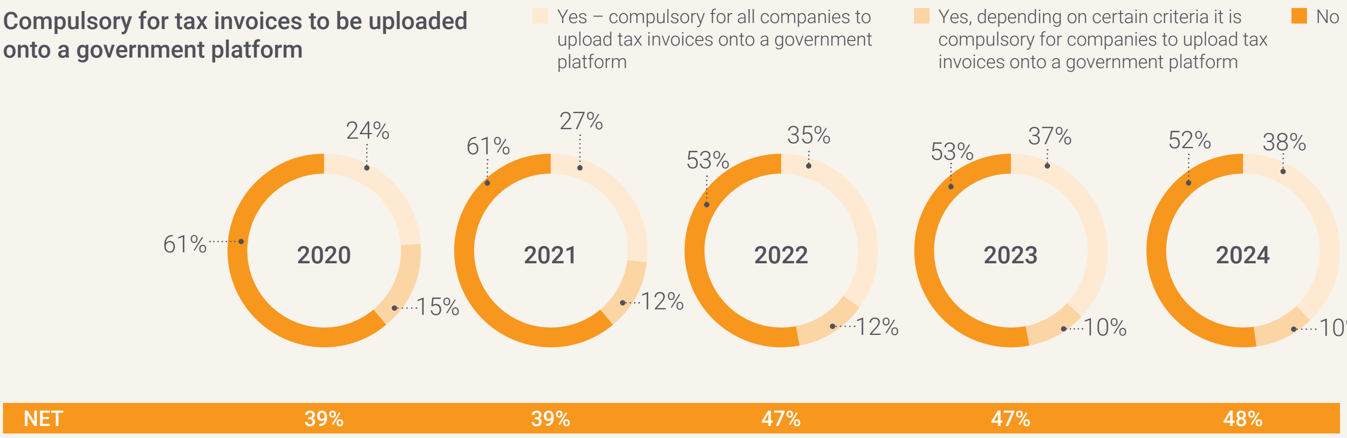
For almost half (48%) of jurisdictions, it is compulsory for at least some companies to upload tax invoices onto a government platform. Although this is an increase of 9% on 2020, it represents only 1 percentage point increase from 2023. Again, localisation is more prominent in South America, where all jurisdictions require all companies to upload tax invoices to the government platform.

Mandatory submission of invoices, as also seen in Greece and the Philippines, can lead to further complexity issues. Adhering to local government platforms can be confusing, bringing about numerous challenges, such as the need for multinational organisations to modify their own internal system and procedures to meet local government standards. Likewise, in Mainland China, the localisation of e-invoicing in accounting introduces new requirements around management and digital archiving.

“There are over 100 platforms on which to submit reports/ returns or applications, with each requiring different credentials. Furthermore, alignment between the Greek books and the corporate books is almost impossible.”

TMF Greece expert

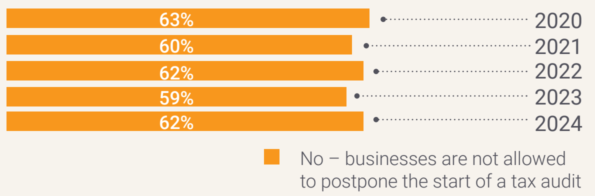
Compulsory for tax invoices to be uploaded onto a government platform



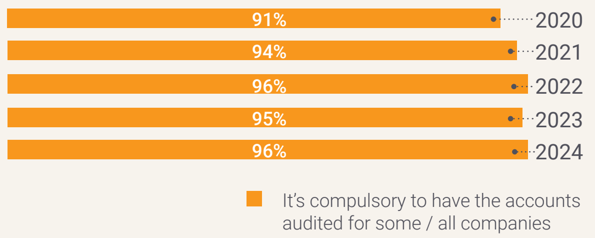
Compulsory for at least SOME companies to upload tax invoices onto a government platform

There is now less flexibility when it comes to tax audits

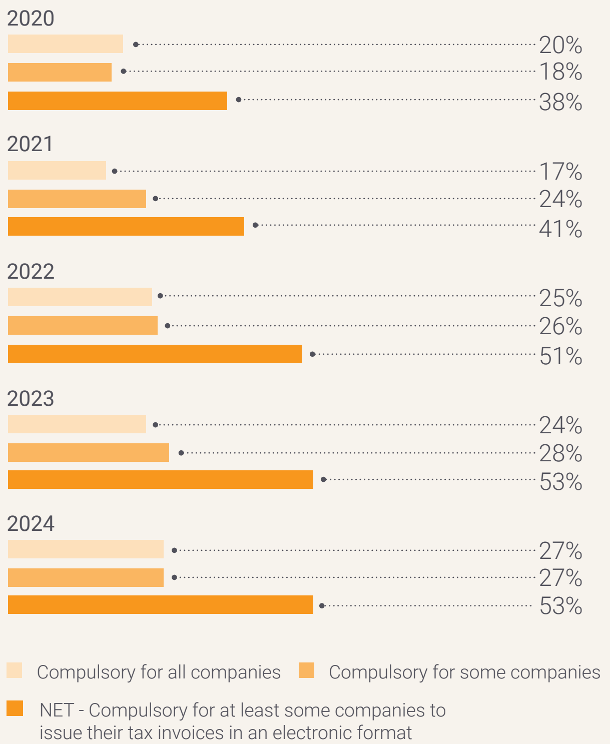
Is a company allowed to postpone the start of a tax audit?



Compulsory auditing of accounts



Compulsory for tax invoices to be issued in an electronic format



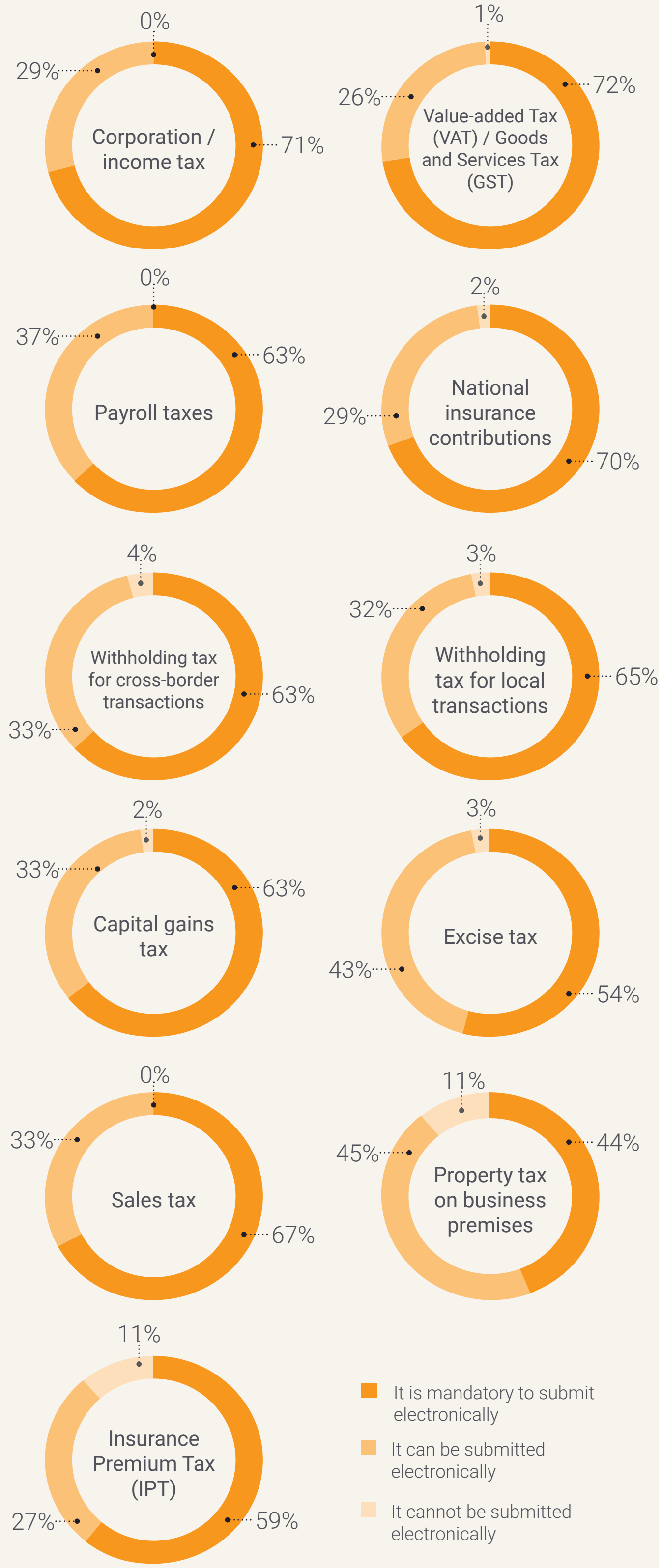
Over the last 5 years, the proportion of jurisdictions not allowing organisations to postpone tax audit start dates has stayed level, but high. This limited flexibility for organisations can cause added workload burdens and pressures, as there is no leeway on resource allocation. This can cause operational disruptions if companies are not prepared.

Similarly, compulsory tax audits also remain high at 96% of all jurisdictions. Limited flexibility when it comes to tax audits adds further complexity, particularly if organisations have to report to the US IRS.

Digitalisation and the use of online systems continues to be a key trend in A&T, however this still poses a challenge for several jurisdictions

The trend of digitalisation continues to increase, on a global scale. Whilst the proportion of jurisdictions where e-invoicing can be done has stayed level, there has been an increase

Electronic payment of taxes



in this as a compulsory requirement from 24% in 2023, to 27% in 2024. This suggests that governments and local authorities are pushing for this trend to become a permanent way of working.

Similarly, most forms of tax payments can be made electronically. For the most part, this is a compulsory requirement, particularly for corporation and income tax (71%), VAT and GST (72%) and National Insurance contributions (70%).

This can give organisations greater control and visibility over their payments, creating ease in terms of payments and returns filing, as well as reducing the burden of tax compliance.

"The implementation of an e-invoicing system offers businesses of all sizes and sectors in Malaysia an opportunity to streamline their financial processes, reduce costs and enhance transparency. Embracing e-invoicing implementation enables businesses to stay ahead in an increasingly digital world."

TMF Malaysia expert

Several jurisdictions, however, have noted that the transition - from traditional paper-based ways of working to digital practices - can cause initial complexities.

In Mexico, whilst processes have moved online, there is still a lack of clarity from the government bodies on the correct procedures, slowing down business processes. Likewise, in Italy, whilst moving reporting requirements online has simplified submissions, this has created additional obligations for businesses to adhere to.

"Although many procedures are already online, there are still some that needs to be attended in person. The authorities are not clear on some procedures and slow in responding to queries and resolving situations raised by taxpayers."

TMF Mexico expert

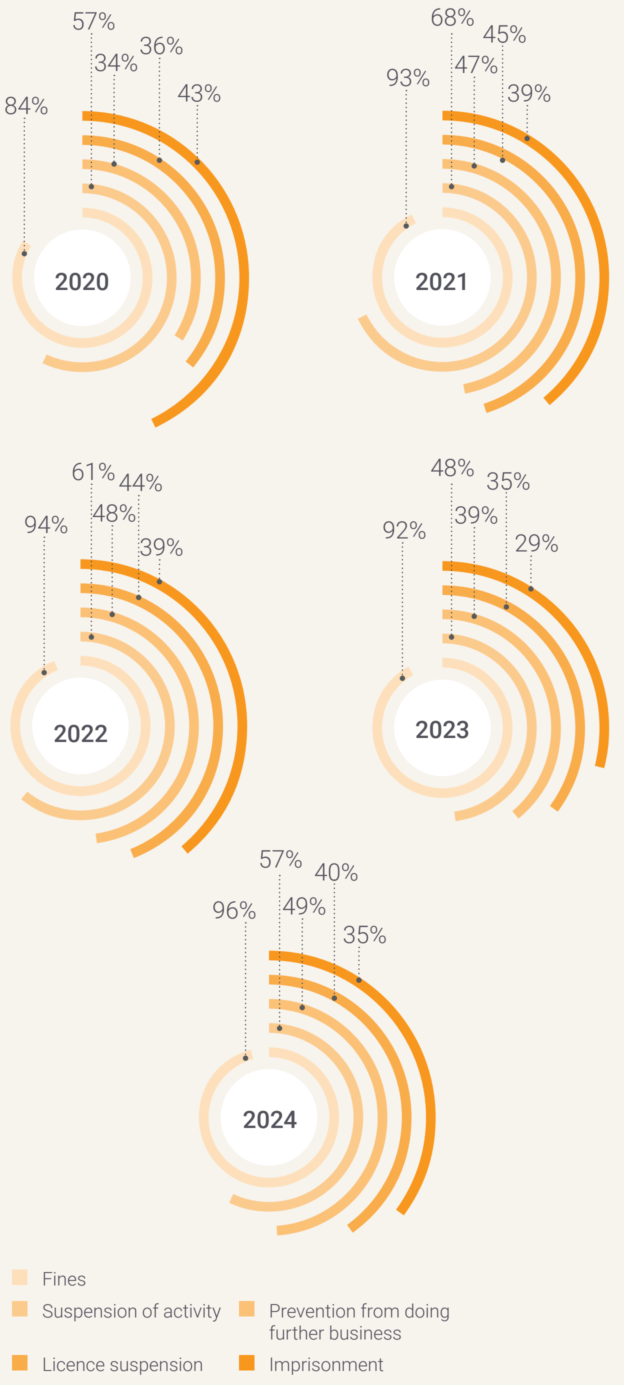
However, jurisdictions also recognise that whilst the transition to digital ways of working can be initially complex, in the long run and once the processes have been fully implemented, it will be of added benefit to investors and will simplify many aspects of business operations.

"The French Tax Administration is working a lot on simplification and improvement of digitised services. Even if electronic billing will represent a challenge, it will in the end simplify the accounting and tax processes."

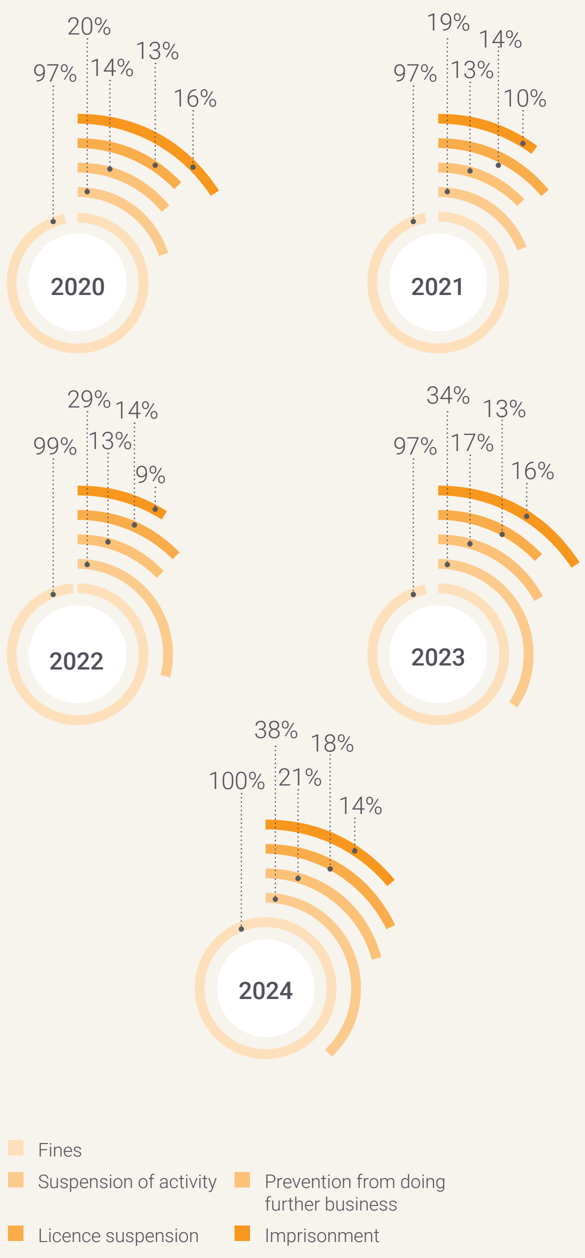
TMF France expert

Whilst the A&T trends from 2023 continue into 2024, the risk of non-compliance is increasing

In the case of doing business without being tax registered



In the case of missed deadlines for tax filings



Organisations now face increased risk of penalties across the board if they do business without being registered with tax authorities. Facing fines has always been a penalty implemented in most jurisdictions, but this has increased to its highest point in the past five years - from 84% of jurisdictions distributing fines to now 96%.

Additionally, all jurisdictions now have fines in place as a penalty for missing tax filing deadlines. TMF Group experts in Argentina state that the lack of clarity around tax regulations and exchange rates means that companies are unintentionally making mistakes, resulting in said penalties. Similarly, investors in Italy face high stakes if mistakes are made, which means organisations are heavily reliant on outsourcing these tasks in order to stay compliant.

"The foreign exchange restrictions are very confusing and sometimes the company, without intention, make mistakes. This leads to warnings or penalties from the regulator. This can be a big disincentive for those looking to invest, particularly if they want short-term gains."

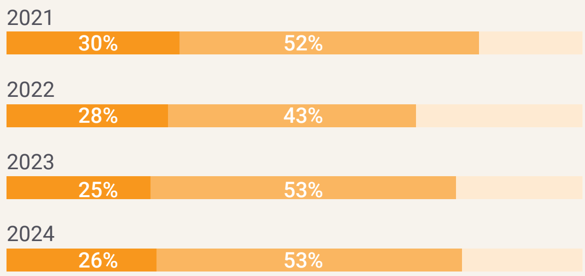
TMF Argentina expert

Global entity management (GEM)

The percentage of jurisdictions expecting further entity / SPV management complexity remains stable

Managing and maintaining entities across borders and in unfamiliar jurisdictions can be a source of disruption, uncertainty, and risk. Businesses may face frequent and fast-paced rule changes, regional intricacies and complex procedures that can be confusing to navigate.

Entity / SPV management - Next 5 years complexity of service lines



Jurisdictions agreeing that over the next 5 years, entity / SPV management will become more complex

Jurisdictions agreeing that over the next 5 years, entity / SPV management complexity will not change

But while the data suggests that over the next five years the entity / SPV management landscape is set to stabilise - with over half of the jurisdictions surveyed (53%) expecting no changes to complexity - this does not tell the whole story.

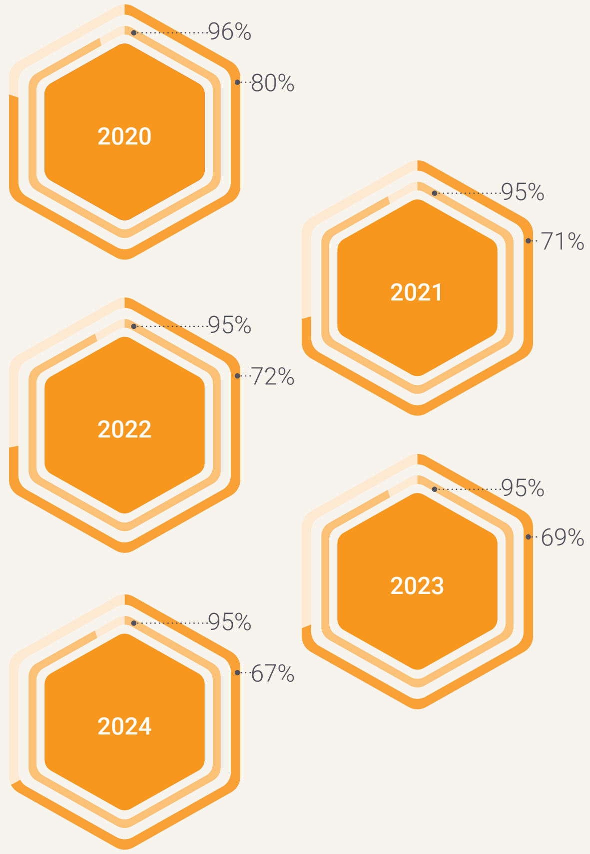
This is because while expectation remains steady, the steps foreign businesses need to take to incorporate into a jurisdiction have already become slightly more complex.

While the average length of incorporation is much shorter for private companies (average length is up to 3 months for 95% of jurisdictions), for public companies, this is only 67%. This also reflects a slight drop from 69% in 2023.

There have been increases in the number of jurisdictions requiring contact with national and local governments in order to incorporate

Across the board, there have been increases in the number of government organisations from which investors must secure approval when incorporating. This aligns with the increasing trend (across the service lines) of localisation. For example, local government is becoming increasingly important in incorporation, with now 41% of jurisdictions requiring local government approval, an increase from 36% in 2023. The importance of government input is particularly key in South America, where 100% of jurisdictions require national government consent and 63% require local government input.

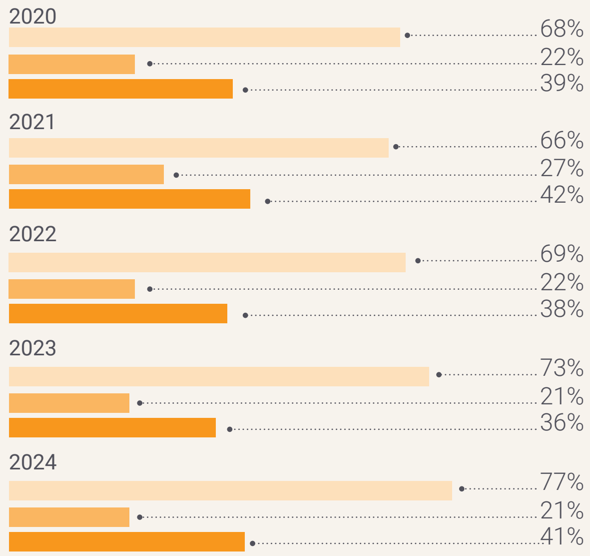
Average length of incorporation



Jurisdictions reporting the average length of incorporation is up to 3 months – private companies

Jurisdictions reporting the average length of incorporation is up to 3 months – public companies

Levels of government required for incorporation



National government
Province/state government
City/local government

The multitude of local and legal frameworks across jurisdictions can be complicated for businesses to navigate, particularly when first incorporating and entering a region. As a result of increased localisation, many organisations might not be aware of the level of government input that is required. These various levels can slow processes down and increase the length of time it takes to incorporate, which can then pose operational challenges and financial risk, particularly for organisations that can't afford to delay business.

> *"Officers, employees and government staff may all have different interpretations of the laws and regulations in place, which may cause confusion for businesses and investors. We've seen the lack of standard or unified implementation of these laws and regulations delays start-up entities in obtaining their licenses or registrations."*
>
> *TMF Philippines expert*

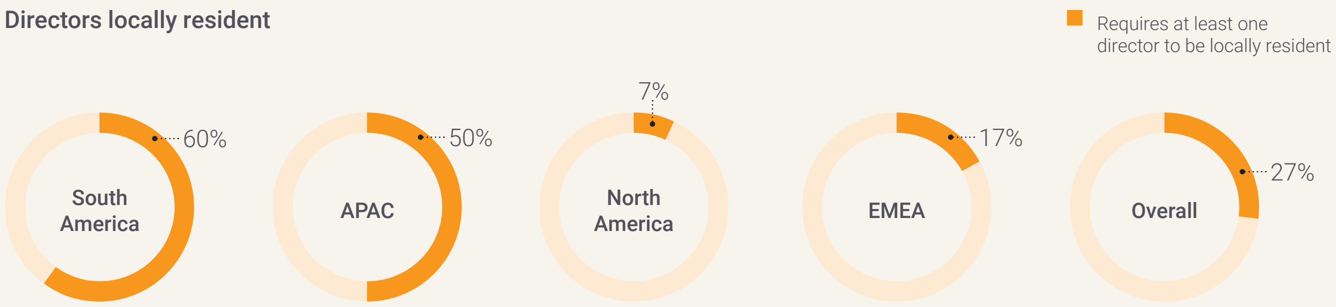
Many jurisdictions require local presence, in the form of local resident directors or a physical office

Globally, 27% of jurisdictions require at least one director of the organisation to be locally resident. This incurs recruitment costs and admin for said organisation and is particularly common in South America (60%) and APAC (50%). This is likely a push to ensure that there will continue to be local economic development and investment within these jurisdictions, with those benefits not taken elsewhere.

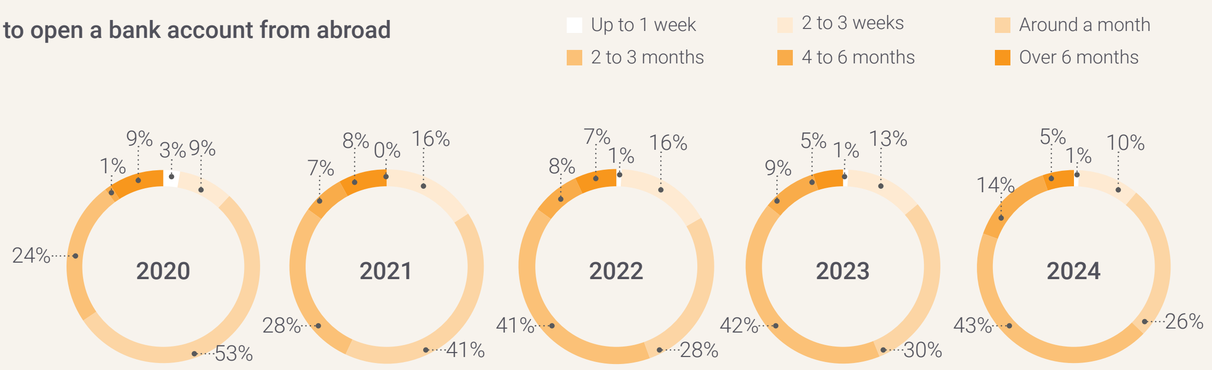
> *"In terms of market entry, there are serious restrictions for foreign companies to be able to fully own business in Thailand. This acts as a real deterrent for a lot of global companies to enter the country."*
>
> *TMF Thailand expert*

It takes over a month to open a bank account from abroad in an increased proportion of jurisdictions when compared to 2023

Directors locally resident



Average time to open a bank account from abroad



	2020	2021	2022	2023	2024
Net: under a month	65%	57%	45%	44%	38%
Net: over a month	35%	43%	55%	56%	62%

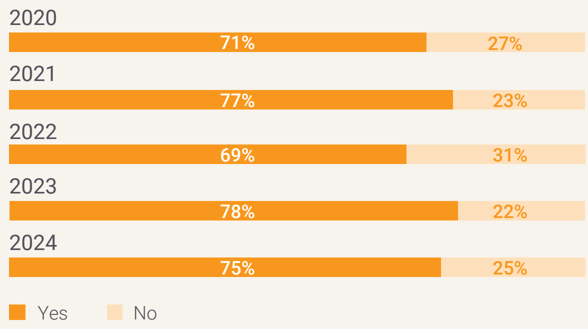
In 2023, 56% of jurisdictions reported that opening a bank account took more than a month. This has now increased to 62% of jurisdictions reporting the same in 2024. Slow and cumbersome bureaucratic processes can act as a delay to business operations and often require a significant amount of documentation and information. Additional requirements around AML and KYC, in particular, can stunt incorporation for organisations who are unfamiliar with local procedures.

This increase has been particularly felt in jurisdictions like Panama, Hong Kong, SAR, Mexico and Luxembourg, all of which cite slow process, the multitude of documentation and additional compliance checks.

> *"Our banks are still very old-fashioned. I would say 90% of them still require face to face. The banks have also strengthened their requirements for accepting new clients - especially on those newly incorporated companies that do not have any existing business and financial records."*
>
> *TMF Hong Kong expert*

Digitalisation has made steps to simplify incorporation, yet there continues to be a lag in digital processes being implemented

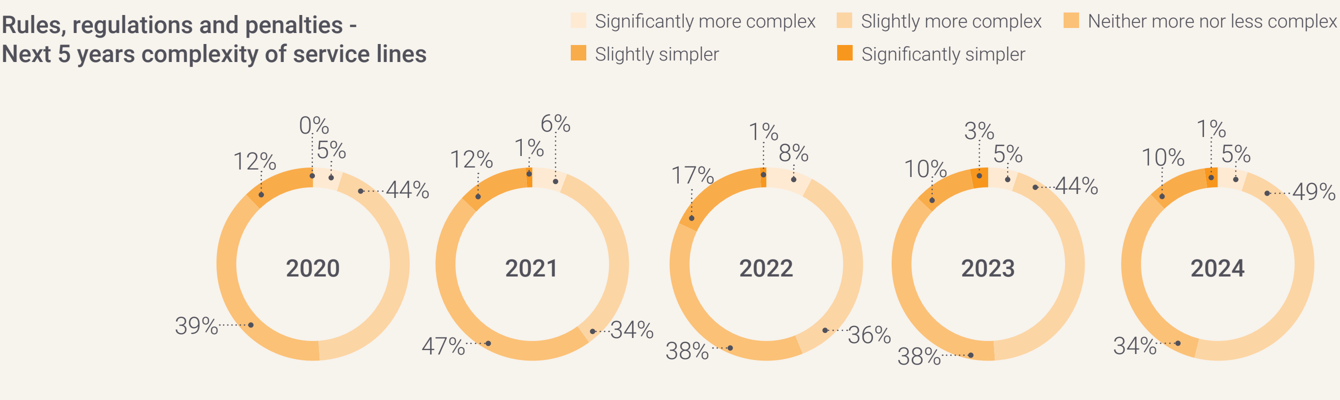
Are official submissions to the authorities done electronically/via the internet?



In 2023, 78% of jurisdictions allowed official submissions to authorities to be done electronically. However, in 2024, this has decreased to 75%. Whilst still a high proportion, it does indicate a lag in digitalisation which could hinder efficient business operations. The lag is significant in North America (29% allow for electronic submissions) and to a lesser extent South America (60%).

Several jurisdictions note that there is still reliance on paper-based documentation and in-person procedures. This lag in digital practices has been mentioned specifically in Romania, where Covid-19 brought about positive steps in allowing electronic document submissions. However, authorities have now reverted back to paper-based, requiring hard copies after e-submission. This further complicates administrative tasks, as documents now have to be completed in two formats.

Rules, regulations and penalties - Next 5 years complexity of service lines



	2020	2021	2022	2023	2024
Net: more complex	49%	40%	43%	49%	54%
Net: simpler	12%	13%	18%	13%	11%

Global regulatory requirements are expected to continue to become more complex

In 2023, 49% of jurisdictions expected rules, regulations and penalties to become more complex over the next five years. In 2024, 54% of jurisdictions would say the same.

However, increased regulatory compliance should not always be viewed negatively. For example, jurisdictions like Jersey and Italy note that the stringent rules and regulations in their jurisdiction can be complex to navigate but once understood and implemented, provide investors with a greater sense of security and further attracts FDI.

"Recurring investors are coming back - they're happy to invest into funds in Jersey because they know the regulations, they know how it works. I think in years gone by, it was, 'Why are we being asked for this documentation? Is it really necessary?'. Whereas I think investors now understand and appreciate the level of scrutiny that goes into making sure that we've got all the necessary KYC and CDD that we need."

TMF Jersey expert

Recent changes in legislation continue the global clampdown on financial crime and focus on national security

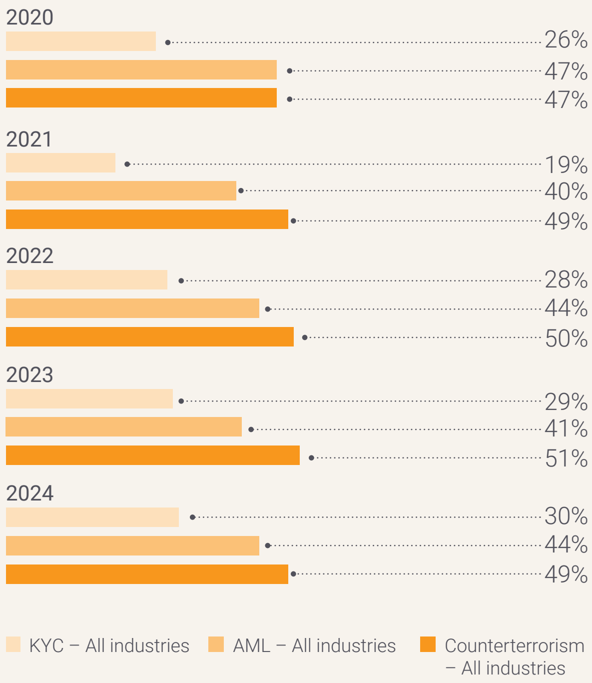
While counter-terrorism legislation has stayed level since 2023, it still remains the highest requirement for all industries across counterterrorism, Know Your Customer (KYC) and Anti-Money Laundering (AML). KYC and AML have also seen a slight uptick in requirements for all industries. This highlights a continued trend in a global clampdown on financial crime and an increased focus in national security. Whilst beneficial to both society and business integrity, it does cause complications - particularly when entering a new market.

"The main challenges are with the banks strictly following the AML rules, making it very difficult to open a new bank account. Quite often, bank accounts are blocked until KYC information is updated."

TMF Bulgaria expert

Although these regulations can slow down business operations, they also provide safety and security across the business world. With the right information and guidance in handling complex legislation, businesses will not only comply with local laws but also position themselves as strong applicants.

Industries abiding by legislation



Whilst there have been increased requirements, investments are not expected to decrease and there have been initiatives to attract FDI

The majority of jurisdictions (79%), expect there to be increased investment in the next five years. This highlights that whilst rules and regulations are expected to become more complex, this is unlikely to translate into negative impacts or prohibit economic growth.

APAC is now expected to attract increased investment in 93% of its jurisdictions, an increase from 85% in 2023. South America has the lowest proportion of jurisdictions expecting increased investments. However, this has increased from 56% in 2023 to 67% expected increased investment in 2024.

"Increasing regulation and complexity in entity management may slow down operations, yet they continue to play a vital role in ensuring protection and market stability. Despite short-term hurdles like delays in bank account opening or increased economic substance requirements, these measures typically contribute positively."

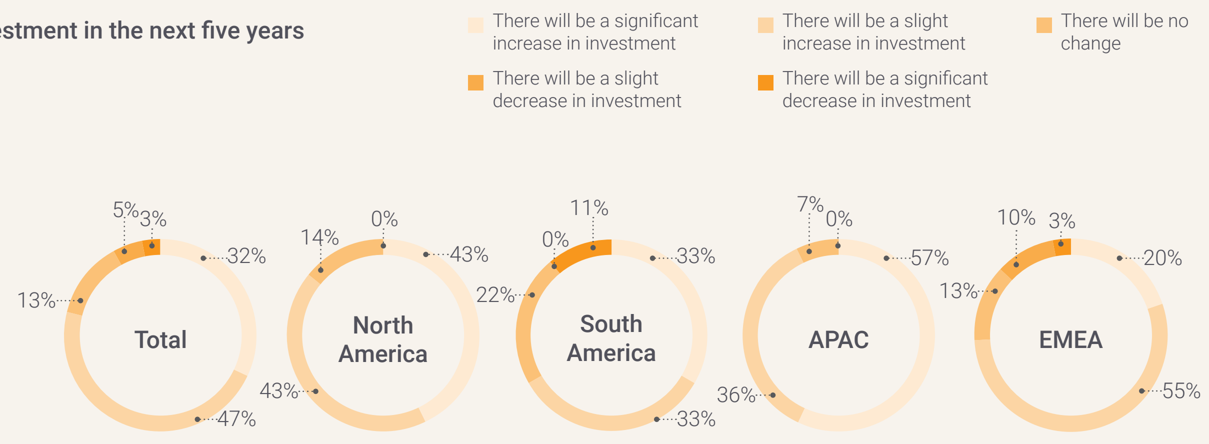
TMF Global entity management expert

Jurisdictions have made notable changes in the past 12 months to attract FDI and ensure that increased GEM complexity does not negatively impact economic growth. Regulatory changes have taken place across the globe to try and facilitate business operations and to ensure easier market access. This includes easing access restrictions in locations like Spain and Egypt, where golden licenses are being introduced to reduce differing approval requirements.

"The Ley de Creación y Crecimiento Empresarial, known as Ley Crea y Crece by the Government, represents one of the most significant reforms within their recovery, transformation and resilience plan, aimed at strengthening and stimulating the development of small and medium-sized enterprises in Spain. With the implementation of this legislation, the procedure for setting up a company will be considerably simplified, with a decrease in both the costs and the time needed to carry it out."

TMF Spain expert

Expected investment in the next five years



	Total	North America	South America	APAC	EMEA
Net: increase	79%	86%	67%	93%	75%
Net: decrease	8%	0%	11%	0%	13%

Case study: Indonesia Omnibus Law 2020

Since 2020, Indonesia has dropped from 1st to 16th in the annual GBCI rankings. The key driver of the nation's reduced complexity is cited as being the 2020 Omnibus Law, the main aim of which is to attract foreign investment.

The Omnibus Law has reduced the complexities of market entry, making it much simpler for foreign investors to set-up business in the jurisdiction. The law has reduced bureaucratic and regulatory barriers such as lowering the capital requirements to incorporate. There have also been new labour reforms, such as lowering severance payments, while the introduction of the golden visa scheme is set to boost investments further.

"The changes have made regulations much simpler, even if the market entry requirement is high on the capital side. Within A&T as well, the Omnibus Law has lowered the corporate income tax rate to 20% (from 25%), which provides a lot of incentive."

TMF Indonesia expert

"In 2023, Tesla opted to manufacture in Malaysia, despite Indonesia being the biggest nickel producer in the world. So Indonesia needs to be more competitive. The government has been making these moves to reduce complexity for this very reason."

TMF Indonesia expert

Indonesia has also been identified as a bridge country between major economic blocs in the US and Mainland China. This has been driven by the government's focus on becoming more than a producer and adding further value. With Mainland China opening up manufacturing to other jurisdictions, Indonesia has intentionally reduced its complexity to leverage the opportunity. As a result, we're likely to see a greater global presence from Indonesia as they continue to open-up business avenues to attract foreign investment.

Human resources and payroll (HRP)

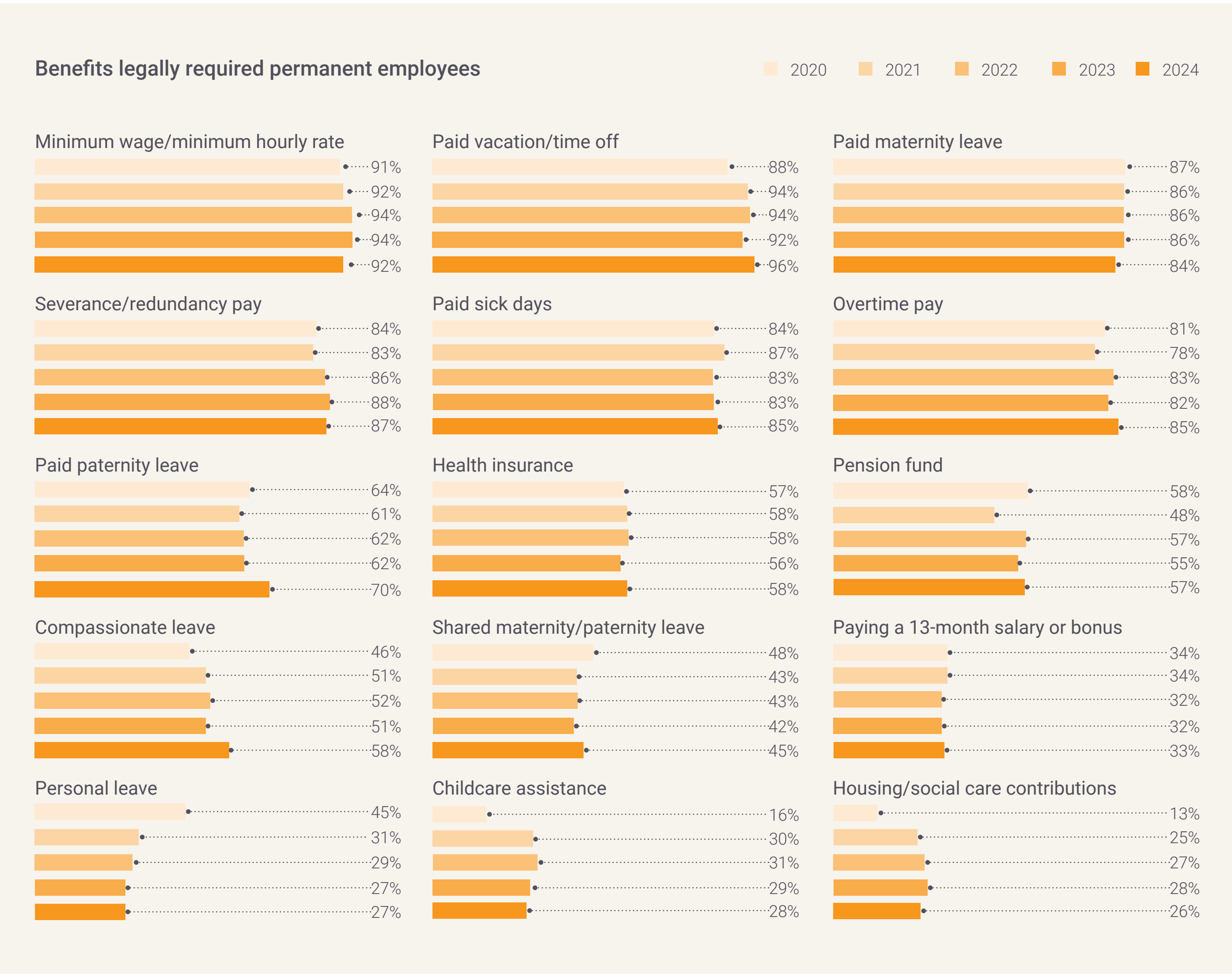
Jurisdictions are expecting greater complexity in the HRP space in the next 5 years

Human resources and payroll (HRP) are essential for both workforce management and business operations. Having a strong HRP team can ensure your organisation is able to forecast demands for labour, assess current workforce supplies, ensure you attract the right people with the right skills and ensure that strong employees are retained. But HRP can also add to overall complexities, with businesses needing to adhere to various legal and regulatory requirements.

And 54% of jurisdictions expect there to be no change in HRP complexity over the next 5 years. But while almost a third of jurisdictions (29%) predict there to be increased complexity, this does not compare to previous years' levels – such as 35% in 2022.

Nonetheless, with just 14% of jurisdictions expecting HRP to become simpler over the next 5 years, organisations should expect that the complexity of HRP requirements is here to stay.

There continues to be an increased focus on progressive benefits for permanent employees



Whilst the top benefits - such as minimum wage and paid vacation - are consistent with 2023, with more than 90% of jurisdictions having this as a legal requirement, there have been some notable trends in legally mandated benefits in 2024.

Since 2020, there have been rises in the adoption of paid vacation (88% to 96%), paid paternity leave (64% to 70%) and compassionate leave being a legal requirement (46% to 58%). Whilst this suggests that there is a global consensus that these are essential benefits, it does create added budgetary pressures and extended workforce planning.

"Average holiday pay is changing as there are new calculations for your non-standard workers. So, zero-hour workers and that type of activity is becoming more challenging. There is also more demand on auto-enrolment, pension activity and the understanding and the awareness of what impact that has."

TMF UK expert

Along with greater benefits, there also are greater protections surrounding employee pay

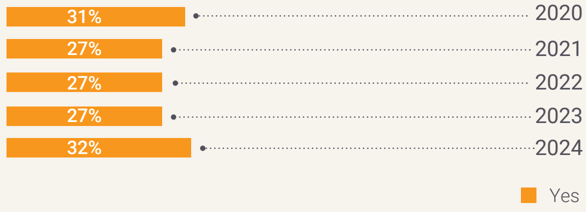
After staying level for the previous three years, 32% of jurisdictions now require regular pay increases for employees. This may be linked to cost-of-living increases and the need to hold onto domestic workers.

Again, South America leads the way in protecting employee pay, as 70% of jurisdictions in the region require regular pay increases. This is much higher than APAC, which lags behind at 7%. Having to mitigate frequent changes in pay can lead to greater admin for payroll teams, require frequent business monitoring of the requirements and also creates greater budgetary constraints as organisations negotiate and implement competitive salaries.

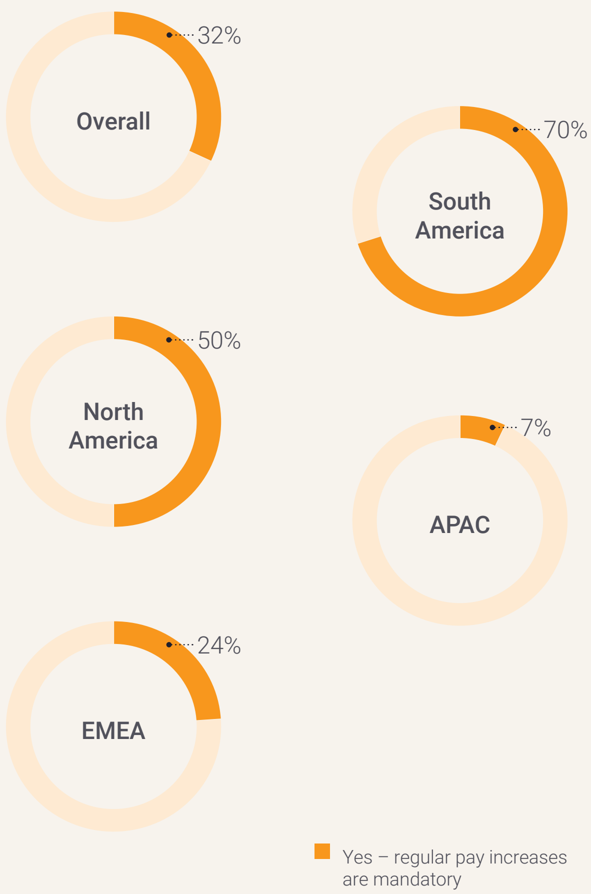
"Labour laws change frequently and these changes have an impact on employers' costs and sometimes on the net amounts paid to employees. This means more questions from employees about their pay slips and labour costs that are not completely predictable."

TMF Italy expert

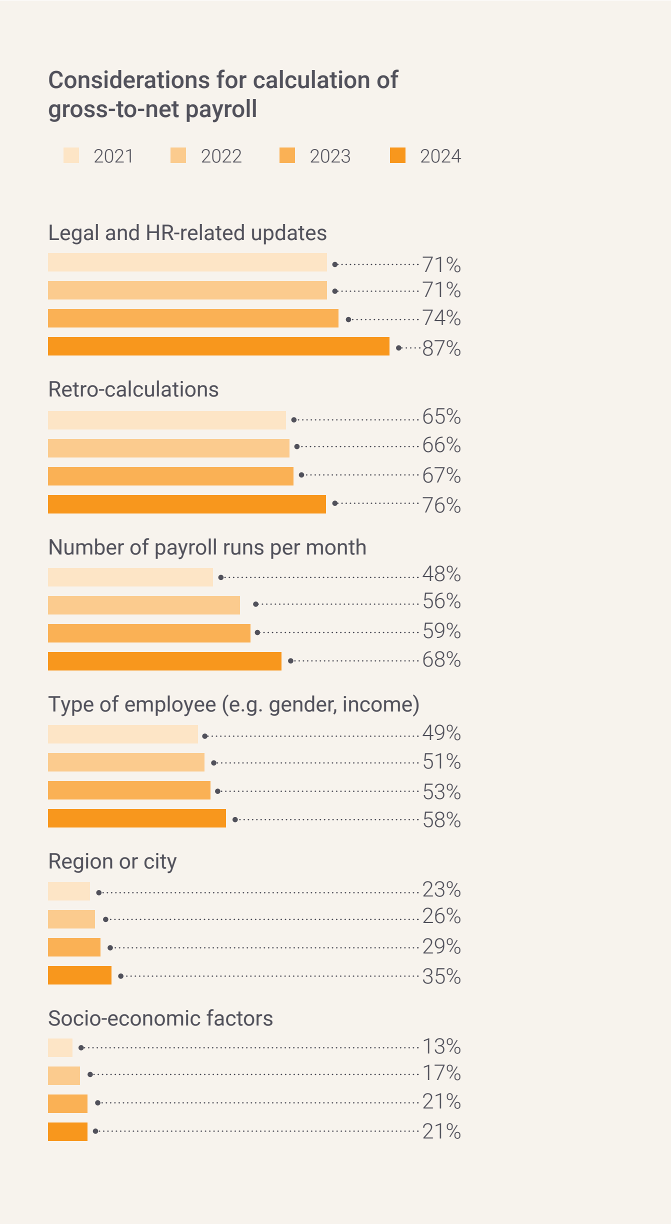
Regular pay increases mandatory



Regular pay increases mandatory (regions)



Increased benefits for employees are protecting workers – but this adds complexity to business operations, particularly around processing payroll



When calculating gross-to-net payroll, jurisdictions are considering a greater variety of factors such as legal and HR-related updates and retro-calculations.

Legal and HR-related updates have seen the most prominent rise, with 87% of jurisdictions incorporating these factors in 2024, up from 71% in 2021. This points to an increased emphasis on compliance with laws and HR policies that change over time, affecting aspects like tax deductions, which can be region-specific or event driven. For example, in the UK and Hungary, frequent changes in labour laws and new tax reforms have increased the need for more regular legal and HR updates.

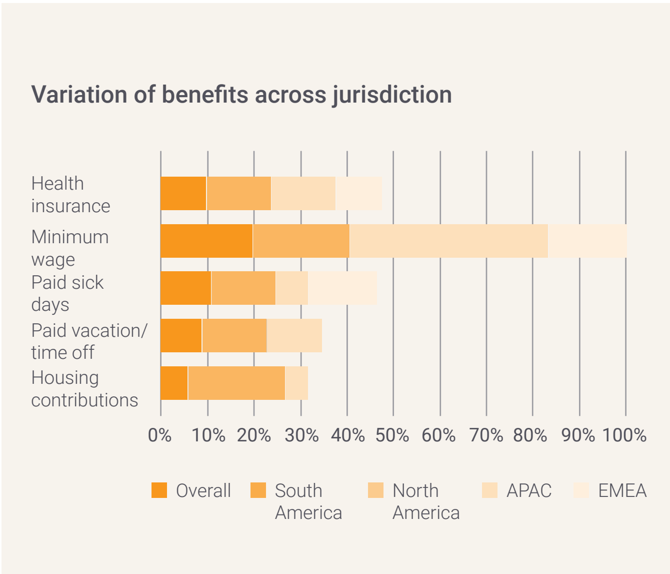
"There are an extreme amount of payroll and social security-related laws, which are changing frequently as well, and therefore need to be monitored regularly. This makes compliance challenging."

TMF Hungary experts

Factors such as the number of payroll runs per month, type of employee, and region or city have also seen a steady rise, highlighting an increase in the customisation and detail of payroll calculations. A particular focus on employee type considerations like gender and income (rising to 58% in 2024) could be indicative of pay equity efforts. For example, in Sweden there are a multitude of different situations and benefits, all of which have different tax treatments.

What these trends underline is an increased complexity in payroll administration. With more factors to consider, the calculations become more complex - requiring more time, resources, and expertise to remain compliant.

Variations in labour laws as a result of the multiplicity of governing bodies adds complexity to payroll processes and staying compliant with labour benefits



Overall, variations in benefits are rare but there are a few key areas of difference. For example, 20% of jurisdictions globally have variations in minimum wage - these differences can cause added costs and also complications in various payroll calculation considerations.

Variation is mostly seen in APAC, where 43% of jurisdictions have variations in minimum wage and 21% vary in housing contributions.

These variations can create a dependence on local expertise to navigate the different regulations. This can also be an added burden if digitalisation processes are not yet in place.

“Still almost all the procedures need to be attended in person, which is time consuming. Additionally, there are local procedures which need to be attended in the exact locality, resulting in having to do different calculations and visiting different places to be compliant.”

TMF Mexico experts

Whilst there are increased protections for employees, there are some developments that have lessened the burden on operations

Many jurisdictions noted the progress and improvements made in the past year that have helped simplify HRP processes for organisations. These revolve around digitalisation of processes and reduction in bureaucracy.

Digital transformation in HRP has become a pivotal trend in several jurisdictions, catering to both convenience and efficiency. For example, jurisdictions such as Germany have simplified payment processing to align with standardised European systems. This has significantly reduced the burden of cross-border transactions.

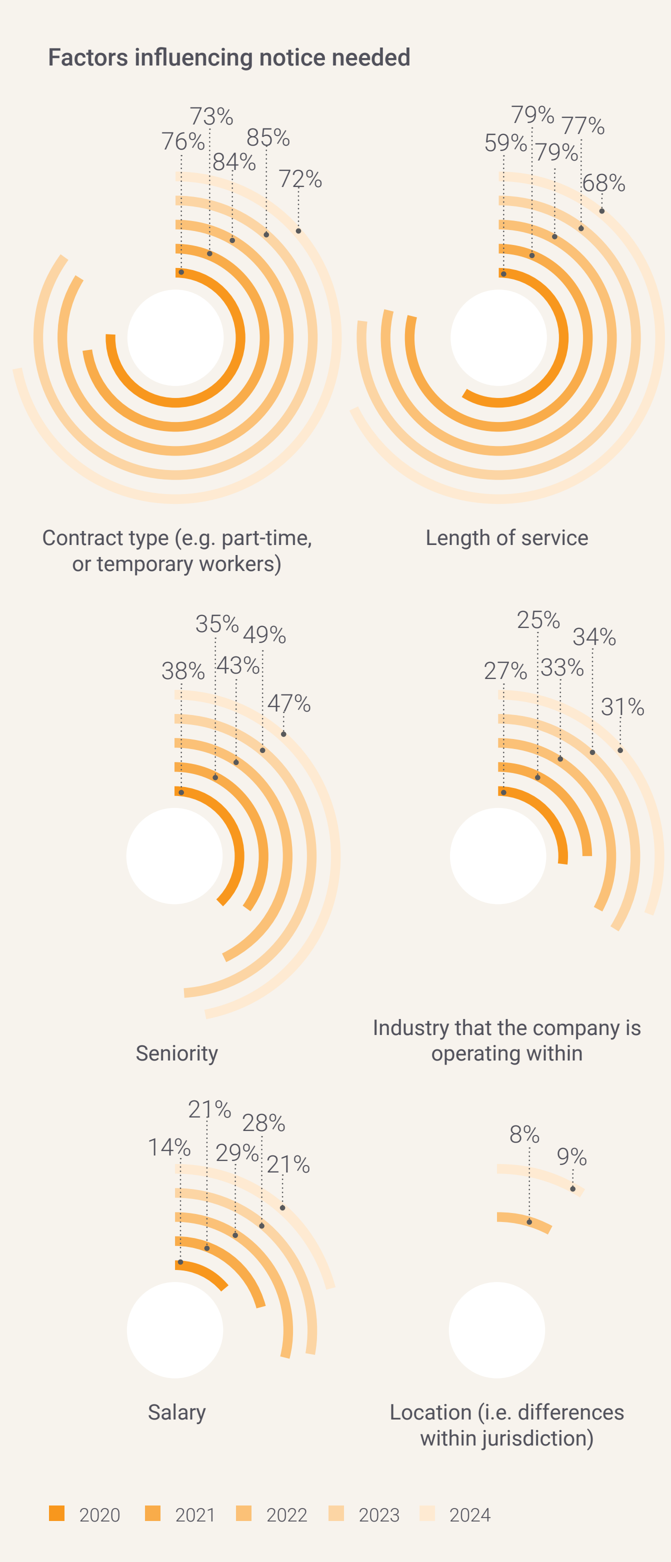
Brazil too has worked extensively on improving their systems. Introduced in 2018 through several phases, Brazil’s eSocial is a digital bookkeeping system used to unify and simplify work-related reporting obligations for employers across the country. The shift in simplifying obligations provides government transparency and reduces red tape, making the country more attractive to foreign companies. These developments point towards a drive for simplified regulatory compliance, making it easier for businesses to operate smoothly.

“There are some trends and changes that make Brazil more attractive to foreign companies. In recent years, the government has been working on improving the eSocial process, summarising several additional obligations with the aim of reducing bureaucracy in the processes associated with sending labour and social security charges.”

TMF Brazil expert

Processes for terminating employment have become more straightforward

Whilst additional benefits and protection continue to be in place for employees, there have been other related processes that have become simpler for organisations. For example, there has been a notable drop in factors that influence the ability to terminate an employment contract. In 2023, the length of service was a factor needed for 77% of jurisdictions. However, this has decreased to 68% in 2024 - the lowest proportion seen since 2021.



It has also become easier for employers to terminate employment without needing to cite a reason. Progress in terms of employee protection had been made in previous years to improve transparency around termination process. However, in 2024, up to 28% of jurisdictions allow for employers to terminate contracts without reason.

This is highest in North America where almost half (43%) of jurisdictions have a simple termination process for this exact reason. Whilst the ease of termination procedure places employees at more risk of losing their job, it does help simplify business operations -particularly for organisations that are suffering with underperforming employees.

Despite the complexities that employee protections and benefits might present, businesses may find it necessary to embrace them, especially in view of prevailing talent challenges. Ensuring proper support and protection for employees fosters a more equal business environment, which in turn can drive greater organisational success.

Ten least complex jurisdictions

Jurisdiction	2024 ranking
Jamaica	↓ 70
British Virgin Islands	↑ 71
Jersey	↓ 72
United Kingdom	↓ 73
The Netherlands	↑ 74
New Zealand	↓ 75
Hong Kong, SAR	↓ 76
Denmark	– 77
Curacao	↓ 78
Cayman Islands	↓ 79

↓ 70. Jamaica

Jamaica has witnessed a significant drop in complexity, with GEM identified as the key driver of this change.

The main shift surrounds UBO registry. In 2024, all organisations are now required to adhere to the UBO registry, boosting Jamaica's international image by facilitating due diligence processes and enhancing investor confidence.

Setting up a company in Jamaica is generally straightforward due to clear rules and regulations. Challenges typically arise around KYC demands and physical requirements for signing documents. However, these challenges mainly occur during company establishment as taxation submissions have predominantly moved online, easing the process and improving compliance.

The positive trend is expected to continue with a stable political situation and potential tax reductions in the annual budget, possibly across value-added tax and payroll taxes, making Jamaica attractive for international clients seeking lower business costs and investment opportunities.

"When clients are able to submit taxation documents online - from their offices or homes - instead of having to go into the tax office to submit a sales stats report, annual income tax report or a payroll reduction report, it will be even easier."

TMF Jamaica expert

↑ 71. British Virgin Islands (BVI)

BVI consistently ranks among the least complex jurisdictions in GBCI thanks to its commitment to regulatory alignment with international standards, providing a familiar framework for multinational entities to operate within. Despite occasional legislative challenges, the BVI continues to foster a favourable business environment, helping the jurisdiction maintain its global market allure.

Recent changes in the BVI's legislation, however, have added a level of complexity for businesses, particularly affecting companies with simple operations. With a more stringent need for reporting and compliance, businesses are now compelled to fulfil more robust legal requirements, such as filing annual returns through a registered agent.

Earlier concerns about the BVI being blacklisted by the EU have not significantly affected multinational organisations. The blacklist placement resulted from legislative changes that were not effectively implemented in time but are now positively resolved.

The BVI Business Companies Act has further streamlined operations by incorporating multinational clients into local legislation. Improved connectivity and digitalisation have simplified business operations, enabling easy transfer and transmission of information across the BVI.

"BVI is a well-regulated jurisdiction with constant updates in legislation. This can sometimes be hard and costly to keep up to date with. However, as a politically stable jurisdiction based on English common law, we remain an attractive option to businesses operating globally."

TMF BVI expert

↓ 72. Jersey

Jersey remains one of the simplest jurisdictions in the GBCI, dropping from 70th to 72nd in 2024. The stability is mainly due to its highly regulated environment, providing assurance to foreign businesses and investors.

Geographically, Jersey's proximity and similar time zone to the UK make it favourable for business operations. A wealth of tax and legal experts in the area can also help ensure seamless regulatory compliance for those navigating the operational challenges of complying with multiple jurisdictions.

Whilst enhancements in AML legislation have resulted in wider scrutiny from the Jersey Financial Services Commission (JFSC) and, therefore, initial delays for newly incorporating businesses, these processes are now running smoothly.

Like many jurisdictions, Jersey faces talent acquisition and management challenges. To address these, technology and AI are being harnessed to improve efficiencies and manage workload, aiming to increase output, ensure job satisfaction and improve staff retention.

"Investors might be turned off by the level of due diligence involved and the time it takes to onboard - but we now fine-tune that process where I think as administrators, we understand what the regulators are looking for. You've got Jersey Finance, the JFSC and the government of Jersey all working closely and who are quite nimble in how they react together and adapt to the change in regulatory framework at any point in time."-

TMF Jersey expert

↓ 73. United Kingdom

The UK consistently ranks among the least complex jurisdictions in which to do business. This year it stands at 73rd, a slight decrease from 72nd last year. The UK exhibits low complexity in A&T and GEM due to its simple, stable tax system and adherence to international financial standards. The regulatory environment is stable, adding to predictability for businesses.

However, the UK faces challenges in HRP. Anticipated changes in payroll regulations, potential legislative changes around pensions, holiday pay and absence payments, and potential reductions in the auto-enrolment age for pensions could impact payroll operations.

There are also cultural changes in UK talent, with workers expecting competitive benefits packages and better work-life balance. Post-Brexit, some businesses have re-located their headquarters out of the UK due to high costs and complex hiring requirements. These are unique post-COVID challenges that businesses must stay informed of to ensure success.

"We should no longer be viewing the UK as one of the simplest places to set up payroll. Its simplicity is more driven by the fact that it's an English-speaking country so that may make it easier for those operating internationally. But the reality is that the complexities behind that now are becoming more demanding."

TMF UK expert

↑ 74. The Netherlands

Thanks to its client-friendly approach to laws, regulations and process, the Netherlands regularly ranks as one of the simplest jurisdictions for business operations. Notably, the country's regulatory stability, support for new ventures, and strong ecosystems for fintech and AI-driven businesses attracts foreign investors.

The Netherlands' centrality within the EU makes it a hub for cross-border business activities. Similarly, the UK's departure from the EU has further encouraged businesses to set up operations in the Netherlands to benefit from specific EU advantages.

However, attracting and retaining talent is a challenge due to the country's low unemployment rate. To address this, companies often hire international personnel, facilitated by the ease of relocation to the Netherlands. Over the years, the Netherlands has become more flexible in employment structures, with the growth of remote working practices and flexibility in work arrangements, even allowing employees to work from abroad for extended periods. This makes the Netherlands an attractive jurisdiction for global businesses.

"Stability and certainty are important, which is something that the Netherlands can offer. So, whether it's companies that are investing into targets or whether it's indeed the fintech world or a start-up and scale-up type of businesses that are being set up in the Netherlands, the country is an attractive option for foreign investment."

TMF Netherlands expert

↓ 75. New Zealand

New Zealand continues to be an easy place for businesses to set up and operate, with a low barrier of entry and clear online laws and regulations. However, although the requirement of having a resident director could be a hurdle for some businesses, this is quite a common stipulation across the region and therefore does not put New Zealand at a disadvantage.

Over the next 12-24 months, there are expected changes in the way earnings are calculated, impacting tax and benefits for pay-as-you-earn individuals. Whilst this will affect the complexities of payroll calculations, it will not affect the hiring or firing. Ensuring labour legislation does not limit attraction of talent is key - New Zealand has recently faced a "brain drain" due to improved access to citizenship in Australia. Combined with high wage demands due to inflation, some organisations operating in New Zealand may find it difficult to retain talent.

However, from a market opportunities perspective, New Zealand faces opportunity due to legislation change in Australia. When compared to Australia, New Zealand has more lenient regulations on e-cigarettes and scooters - this can create regional competitiveness and could lead to market share growth.

"It's very easy to start a company, hire people and then comply with laws and regulations. I think it's quite simple. All online in black and white."

TMF New Zealand expert

↓ 76. Hong Kong, SAR

A key challenge for businesses setting up in Hong Kong, SAR is its banking methods. The in-depth KYC requirements and the need for in-person banking setup can make the process lengthy. However, once established, Hong Kong, SAR's low and straightforward tax system remains attractive to businesses.

Another challenge is a shrinking talent pool due to people seeking opportunities outside Hong Kong, leading to increased salary demands. Some companies are addressing this by improving efficiencies with AI or outsourcing, especially given the high office space costs across the country.

There are discussions around taxing foreign source income and while the extent is unclear, it could potentially deter international companies. Despite these challenges, Hong Kong, SAR maintains its position as a key hub in East Asia, offering strong competition to Singapore and serving as a unique gateway to the Chinese market, which can be advantageous for businesses.

"Accounting and tax drive our simplicity. Although following the international financial standard is quite common for other jurisdictions, we also follow very simple tax schemes for both the corporate and the individual. With no VAT, it's a very simple model."

TMF Hong Kong expert

– 77. Denmark

Denmark, maintaining its position at 77th in the GBCI, is committed to a simple business environment with stable laws, regulations and economic conditions. The country's efforts to streamline business activities, notably through digitising taxation processes, have significantly eased business setup and reporting, making it faster and less complex. Denmark's advancements in technology and science create further opportunities for growth.

Like many jurisdictions, Denmark struggles with attracting and retaining talent due to low unemployment rates. However, a recent shift towards more flexible employment, with companies embracing hybrid working, has created a more nuanced approach to working arrangements, enhancing Denmark's appeal to highly skilled talent.

Progressive in its approach and with no imminent changes that might add complexity, Denmark continues to uphold its reputation as a hub of operational simplicity.

"Denmark is becoming easier and easier because everything is digital. You don't need to wait for months, and you don't need to do paperwork."

TMF Denmark expert

↓ 78. Curacao

Curacao's position as one of the simplest jurisdictions for global business operations is attributed to its stable business environment and minimal regulatory changes. Digitalisation of processes, particularly tax returns, has further simplified business operations.

A potential challenge for international clients setting up operations in Curacao has shifted from regulatory complexities to business viability. While the island used to be an attractive spot for setting up companies for tax benefits, changes in regulations and global transparency norms have caused a slowdown in the setup of new corporate structures.

Incoming legislation requiring businesses to record daily working hours and provide additional information to the regulator will add a layer of regulatory compliance. However, these changes do align with broader EU regulations.

Economic shifts - the closure of refineries and slower growth in the financial sector - have redirected government focus to expanding the tourism and leisure industries. This has led to real estate opportunities as more people invest in second homes, serving tourism needs.

Despite potential challenges, Curacao's stable environment, minimal regulatory changes and growing opportunities in the tourism and leisure sectors continue to make it one of the simplest jurisdictions for global business operations.

"Basically, nothing much has changed. On the A&T side, it's similar - it's not that there's any up-keeping requirements or specific requirements for how the balance sheet should look. On the HRP side, there haven't been changes in taxes, so it's all pretty stable."

TMF Curacao expert

↓ 79. Cayman Islands

The Cayman Islands ranks as the least complex jurisdiction, consistent across service lines and over recent years. Its straightforward taxation system and high level of digitalisation simplify operations for international businesses. Government and regulatory interactions are also mainly through online platforms, enabling remote operations.

The Cayman Islands' tax-neutral status presents unique opportunities for businesses, with an increasing number of private funds being set up in the area. In addition, the recent removal of the Cayman Islands from the EU's grey list has increased its international appeal.

Challenges are twofold. Difficulties can stem from a lack of understanding of local regulations by international clients. While these regulations are not complex, they can seem overwhelming to newcomers. The jurisdiction also faces a skills gap, particularly in regulatory and compliance knowledge, making local talent hard to find.

Limited legislative change is predicted for the next 12 months, with laws like the Exempted Limited Partnership Amendment Bill and the Virtual Asset Service Providers Amendment Bill currently under public consultation. However, these are not expected to entail major changes for international clients.

"Because we are a tax neutral country, HRP is very simple. This also helps with the perception of our accountancy services. Taxes are not levied on capital gains or income, which simplifies the account services that we would provide to our clients. So, we end up at the bottom of the scale when compared to onshoring jurisdictions who have to abide by complicated tax rules."

TMF Cayman Islands expert

Conclusion

It is clear that geopolitical instability is impacting the flow of trade and investment choices across the globe. Whilst energy prices remain high, disruption of supply chains and trade barriers also pose a considerable challenge for global players. As a result, many jurisdictions are reviewing their potential growth plans and expansion goals for the longer term.

However, while geopolitical issues may disrupt supply chains or create trade barriers for some jurisdictions, other jurisdictions are finding themselves benefitting from a global shift. Due to their neutrality on global issues, countries identified as connector economies are able to benefit from moves away from established power blocs. For these 'bridge countries', their newly established position in the global supply chain has become a key way for multi-national businesses looking to manage their risk in a period of international instability.

There is also a split in predictions around regulatory compliance reporting. For some, increased reporting can be both a positive and a negative feature of investing in international jurisdictions. Where it is viewed as complex but thorough, TMF Group experts feel it provides a level of transparency for investors and therefore can attract international businesses. Where it is viewed as complex due to constant changes or lack of clarity, TMF Group experts feel it hinders international investment.

Globally, jurisdictions are struggling with workforce attraction and retention. Whilst quickly adapting staffing levels is more split regionally due to variations in labour laws, attracting and retaining staff is proving challenging across the board. High costs, a shortage of skilled workers and economic uncertainty are all cited as factors contributing to this complexity.

Due to an increasingly polarised global landscape, companies operating globally are having to be agile and responsive to global shifts. Where jurisdictions can take advantage of these shifts are by providing clear local support and insight for businesses, helping them to navigate complex rules and changing regulation.

Methodology

The Global Business Complexity Index was created by TMF Group, the experts on global and local business complexity, and Savanta, a specialist market research agency. Combining subject-specific knowledge with a solid grounding in data and analysis, the GBCI 2024 is built on robust multi-method research. The index is generated from an in-depth survey of TMF Group's in-market experts in 79 jurisdictions, and the data is also compared to the survey results used in last year's GBCI report.

The survey covers three areas of business operations:

- Accounting and tax
- Global entity management
- Payroll and human resources

The data for each jurisdiction was statistically weighted and combined to produce an overall complexity score, as well as a score in each of the above three areas. Visuals are based on survey results across 2020, 2021, 2022, 2023 and 2024. 'Don't know' answers have been excluded from the analysis and graphs.

About Savanta

Savanta (http://www.savanta.com) is a fast-growing data, research, and consultancy firm. We inform and inspire change through cutting-edge data collection and analysis across a wide range of sectors.

Glossary

AML Anti-money laundering refers to a suite of laws and regulations that aim to stop criminals from claiming illicit funds as legitimate income.

Economic substance Economic substance is a principle in international tax that determines that a reasonable level of local economic activity must exist for an enterprise to claim tax residence in a specific jurisdiction, and that the establishment should exist in that jurisdiction for a more significant purpose than only the reduction of tax liability.

ESG Environmental, social and governance. A framework aimed at understanding how an organisation manages risks and opportunities around sustainability issues.

Globalisation Globalisation is a process of global convergence whereby economies and cultures become increasingly interconnected and aligned around the world.

IFRS International Financial Reporting Standards are a set of global standards issued by the IFRS foundation and the International Accounting Standards Board.

Incorporation Incorporation refers to the process of establishing a new legal entity.

OECD The Organisation for Economic Co-operation and Development is an international organisation that aims to promote global trade.

PSC A 'person with significant control' is a term used in various global regulations to refer to a person who has a significant level of control or influence over the actions of a legal entity. The exact definition varies according to the laws of different jurisdictions.

UBO The 'ultimate beneficial owner' refers to a natural person who directly or indirectly owns or controls a significant interest in an entity or arrangement. The exact definition of UBO and what constitutes significant interest varies according to the laws of different jurisdictions.

We make a **complex** world **simple**

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world.

With more than 10,000 colleagues across 125 offices in 86 jurisdictions, all working to the same high standards of service and security, we provide our clients with local expertise where it is needed most. Our locations cover 92% of world GDP and 95% of FDI inflow.

We are a key part of our clients' governance, providing the accounting, tax, payroll, fund administration and legal entity management services essential to their success. We make sure rules are followed, reputations protected and operational compliance maintained.

Our global service model and technology platform put our clients in control of their portfolio of entities and global locations. The data insights we deliver keep them on top of emerging regulation, the status of their own activity and any points of risk.

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