A World Bank Group Flagship Report

14TH EDITION

Doing Business 2017

Equal Opportunity for All

Economy Profile 2017

United Kingdom

© 2017 International Bank for Reconstruction and Development / The World Bank
1818 H Street NW, Washington DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

Some rights reserved
1 2 3 4 19 18 17 16

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

Rights and Permissions

This work is available under the Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO) http://creativecommons.org/licenses/by/3.0/igo. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:

Attribution—Please cite the work as follows: World Bank. 2017. *Doing Business 2017: Equal Opportunity for All*. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0948-4. License: Creative Commons Attribution CC BY 3.0 IGO

Translations—If you create a translation of this work, please add the following disclaimer along with the attribution: *This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.*

Adaptations—If you create an adaptation of this work, please add the following disclaimer along with the attribution: *This is an adaptation of an original work by The World Bank. Views and opinions expressed in the adaptation are the sole responsibility of the author or authors of the adaptation and are not endorsed by The World Bank.*

.

Third-party content—The World Bank does not necessarily own each component of the content contained within the work. The World Bank therefore does not warrant that the use of any third-party-owned individual component or part contained in the work will not infringe on the rights of those third parties. The risk of claims resulting from such infringement rests solely with you. If you wish to re-use a component of the work, it is your responsibility to determine whether permission is needed for that re-use and to obtain permission from the copyright owner. Examples of components can include, but are not limited to, tables, figures, or images.

All queries on rights and licenses should be addressed to World Bank Publications, The World Bank Group,
1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

ISBN (paper): 978-1-4648-0948-4
ISBN (electronic): 978-1-4648-0984-2
DOI: 10.1596/978-1-4648-0948-4
ISSN: 1729-2638

COVER DESIGN: CORPORATE VISIONS, INC.

CONTENTS

Introduction 4
Starting a business 17
Dealing with construction permits 24
Getting electricity 38
Registering property 47
Getting credit 59
Protecting minority investors 64
Paying taxes 71
Trading across borders 78
Enforcing contracts 84
Resolving insolvency 92
Labor market regulation 102
Distance to frontier and ease of doing business ranking 109
Resources on the *Doing Business* website 112

INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation. *Doing Business 2017* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies, from Afghanistan to Zimbabwe, over time. The data set covers 48 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for United Kingdom. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2016 (except for the paying taxes indicators, which cover the period January–December 2015).

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

More information is available in the full report. *Doing Business 2017* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2017*, are available on the *Doing Business* website at http://www.doingbusiness.org.

CHANGES IN *DOING BUSINESS 2017*

As part of a three-year update in methodology, *Doing Business 2017* expands further by adding postfiling processes to the paying taxes indicator, including a gender component in three of the indicators and developing a new pilot indicator on selling to the government. Also, for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

The paying taxes indicator is expanded this year to include postfiling processes – those processes that occur after a firm complies with its regular tax obligations. These include tax refunds, tax audits and tax appeals. In particular, *Doing Business* measures the time it takes to get a value added tax (VAT) refund, deal with a simple mistake on a corporate tax return that can potentially trigger an audit and good practices with administrative appeals process.

This year's *Doing Business* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. Three of these areas are included in the distance to frontier score and in the ease of doing business ranking, while the fourth—labor market regulation—is not.

Doing Business has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete by not reflecting correctly the *Doing Business* processes as applied to women—which in some economies may be different from the processes applied to men. Starting this year, *Doing Business* measures the starting a business process for two case scenarios: one where all entrepreneurs are men and one where all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to roughly half of the population that is female (for example, obtaining a husband's consent or gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own, and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies will be scored on having equal evidentiary weight of women's testimony in court.

Also for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

For more details on the changes, see the ""Old and new factors covered in *Doing Business*" section in the Overview chapter starting on page 1 of the *Doing Business 2017* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2017* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 190 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. (See the chapter on the distance to frontier and ease of doing business).

The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2017*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

ECONOMY OVERVIEW

Region: OECD high income

Income category: High income

Population: 65,138,232

GNI per capita (US$): 43,340

DB2017 rank: 7

DB2016 rank: 6*

Change in rank: -1

DB 2017 DTF: 82.74

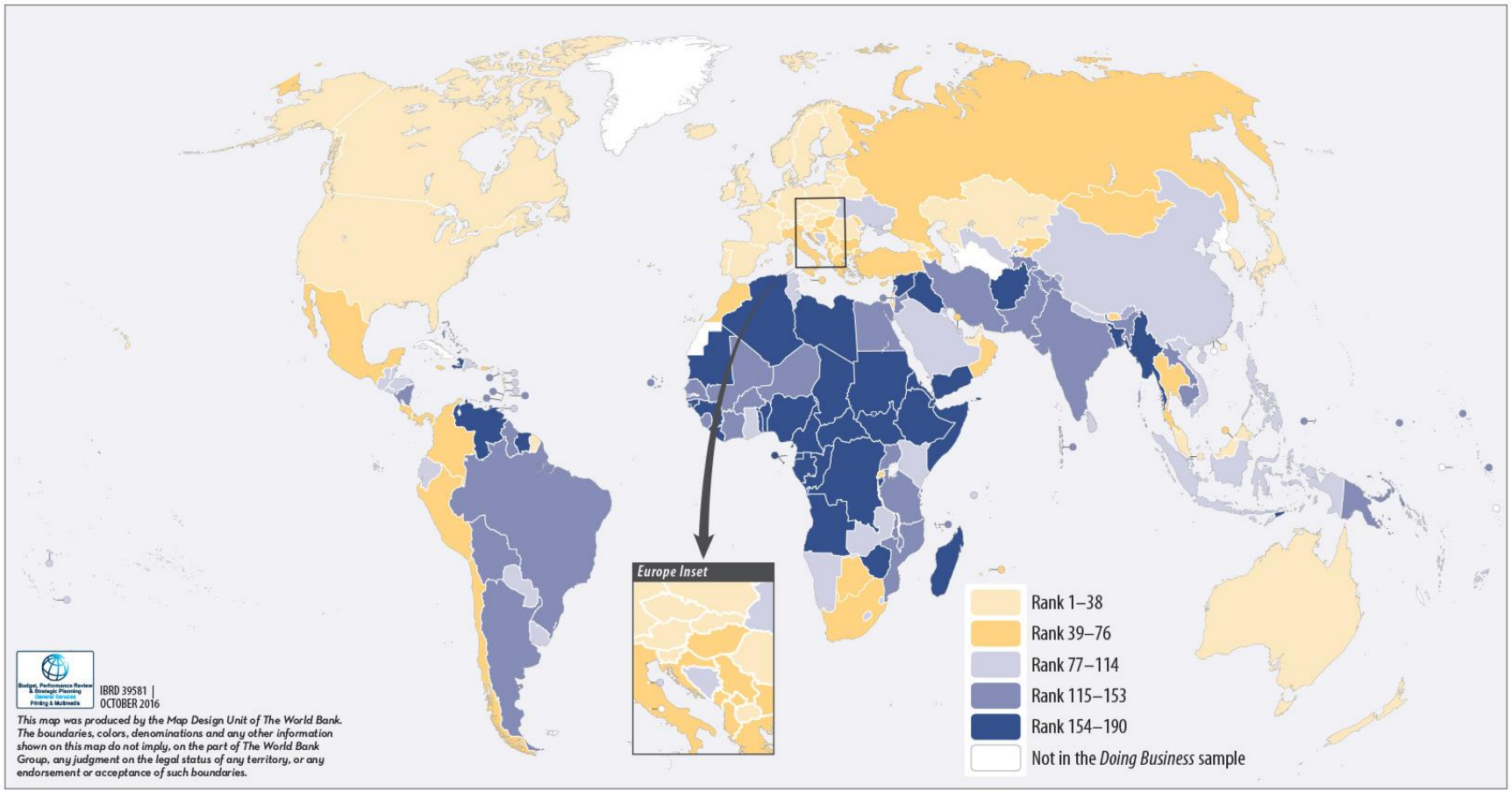
DB 2016 DTF: 82.73

Change in DTF: 0.01

* DB2016 ranking shown is not last year's published ranking but a comparable ranking for DB2016 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2017* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business

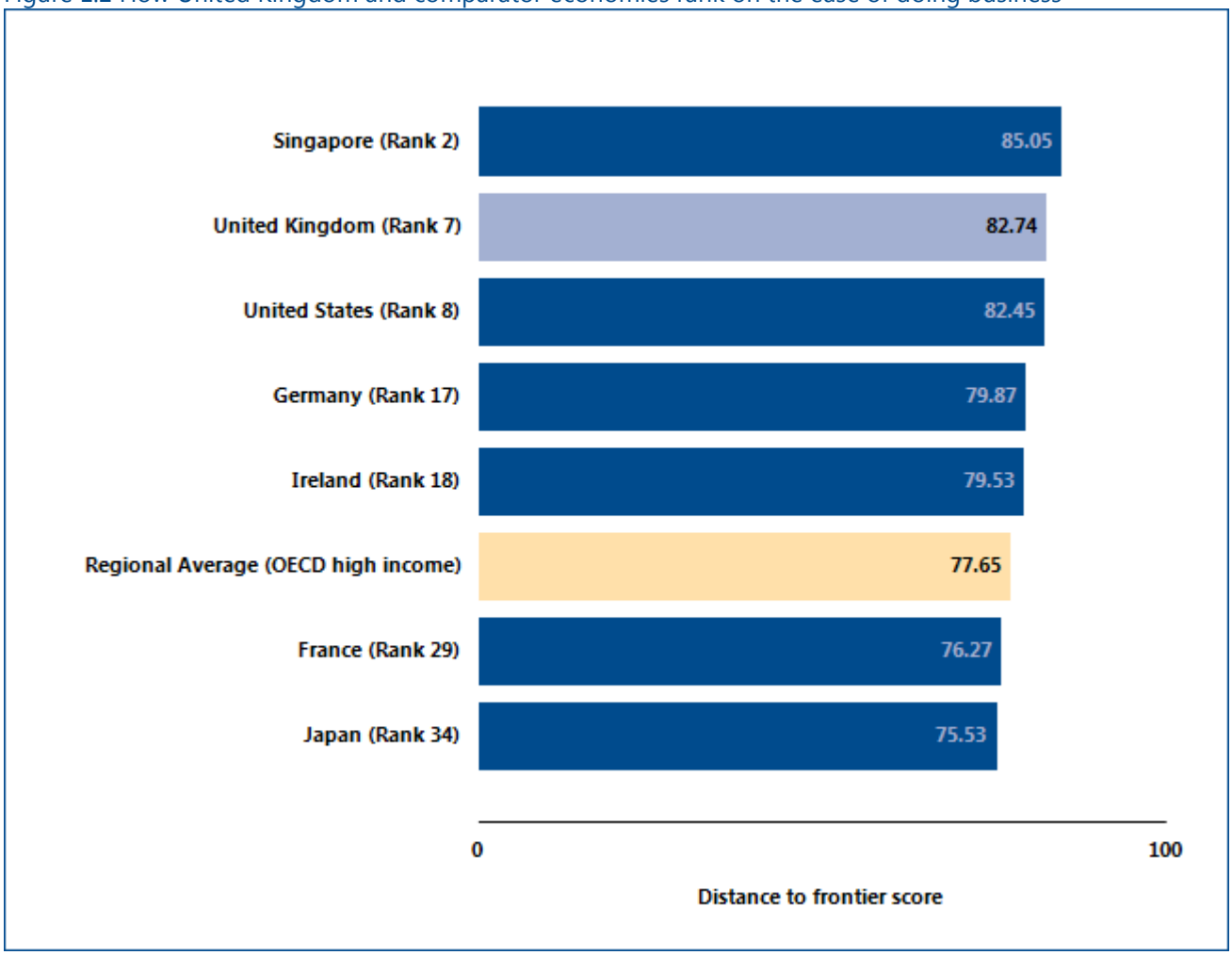


Source: Doing Business database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How United Kingdom and comparator economies rank on the ease of doing business



Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.
Source: Doing Business database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - United Kingdom
(Scale: Rank 190 center, Rank 1 outer edge)

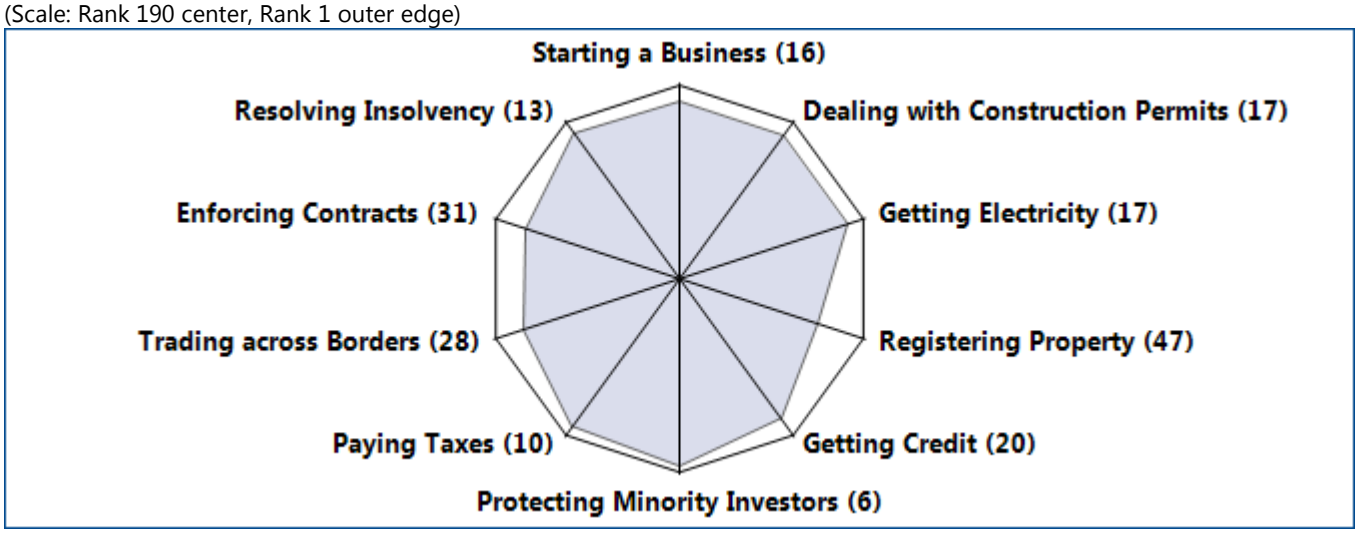
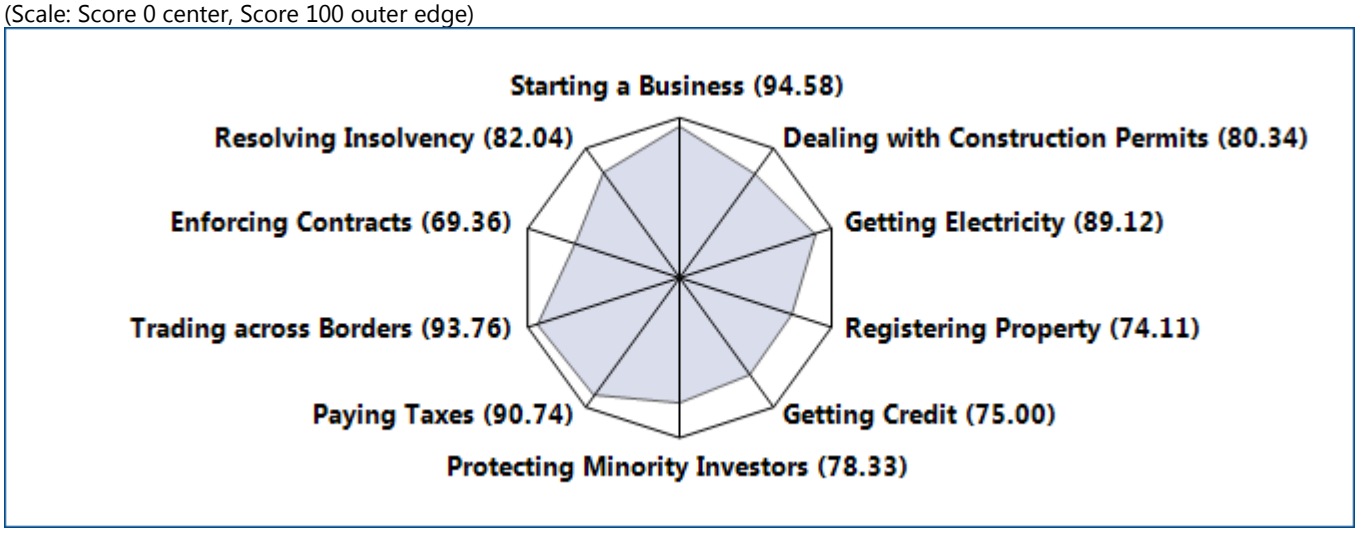


Figure 1.4 Distance to frontier scores on *Doing Business* topics - United Kingdom
(Scale: Score 0 center, Score 100 outer edge)



Source: Doing Business database.
Note: The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

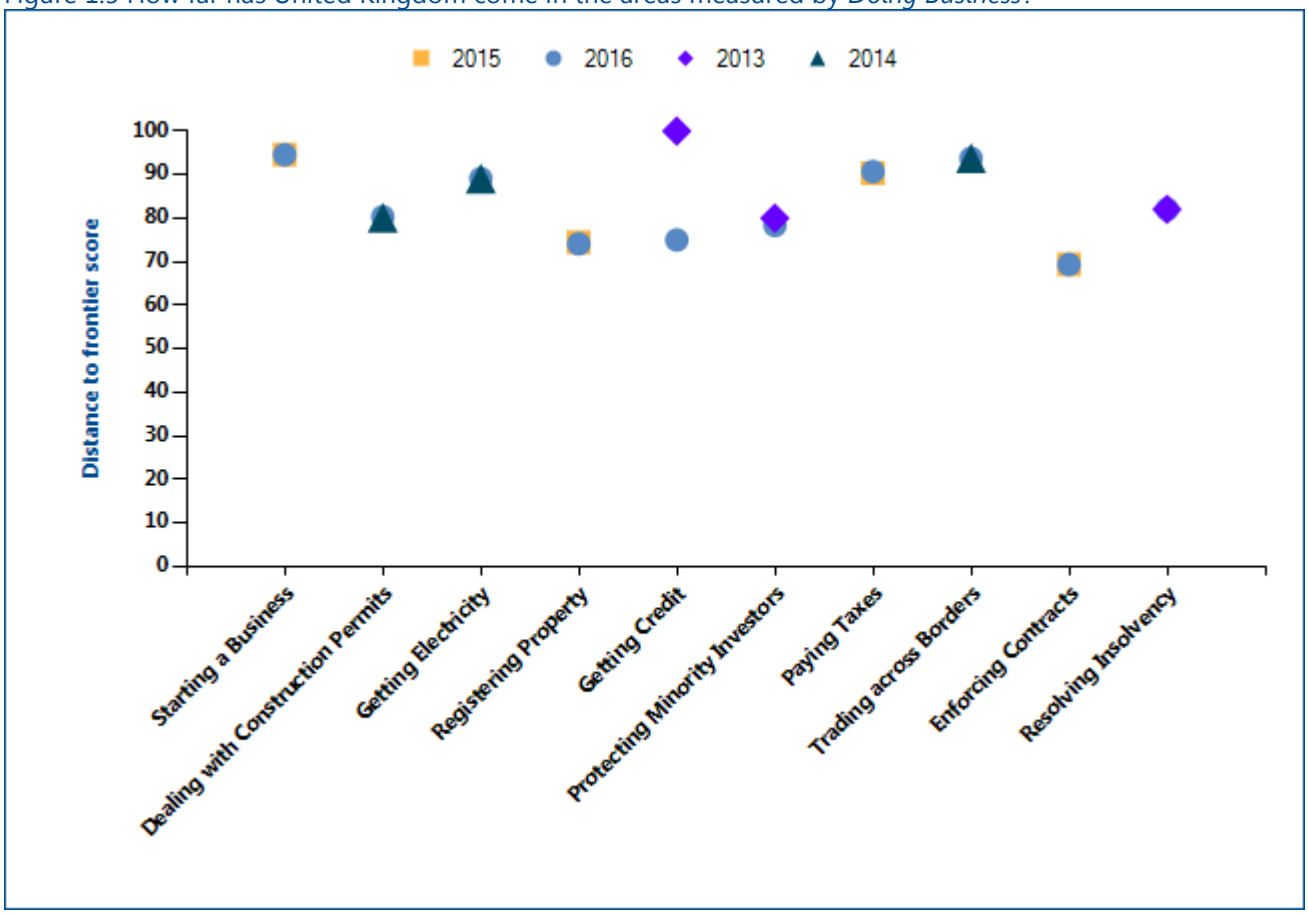
THE BUSINESS ENVIRONMENT

Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy's regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, *Doing Business* introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy's regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has United Kingdom come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Getting credit, protecting minority investors and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, getting electricity and trading across borders had methodology changes in 2015 and thus are only comparable to 2014. Starting a business, registering property, paying taxes and enforcing contracts had methodology changes in 2016 and thus are only comparable to 2015. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2017* report for more details on the distance to frontier score. Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for United Kingdom

Indicator	United Kingdom DB2017	United Kingdom DB2016	France DB2017	Germany DB2017	Ireland DB2017	Japan DB2017	Singapore DB2017	United States DB2017	Best performer globally DB2017
Starting a Business (Rank)	16	13	27	114	10	89	6	51	1 (New Zealand)
Starting a Business (DTF Score)	94.58	94.57	93.27	83.42	95.91	86.09	96.49	91.23	99.96 (New Zealand)
Procedure – Men (number)	4.0	4.0	5.0	9.0	3.0	8.0	3.0	6.0	1.0 (New Zealand)
Time – Men (days)	4.5	4.5	3.5	10.5	5.0	11.2	2.5	5.6	0.5 (New Zealand)
Cost – Men (% of income per capita)	0.1	0.1	0.7	1.9	0.2	7.5	0.6	1.1	0.0 (Slovenia)
Procedure – Women (number)	4.0	4.0	5.0	9.0	3.0	8.0	3.0	6.0	1.0 (New Zealand)
Time – Women (days)	4.5	4.5	3.5	10.5	5.0	11.2	2.5	5.6	0.5 (New Zealand)
Cost – Women (% of income per capita)	0.1	0.1	0.7	1.9	0.2	7.5	0.6	1.1	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	32.9	0.0	0.0	0.0	0.0	0.0 (127 Economies*)
Dealing with Construction Permits	17	16	20	12	38	60	10	39	1 (New Zealand)

Indicator	United Kingdom DB2017	United Kingdom DB2016	France DB2017	Germany DB2017	Ireland DB2017	Japan DB2017	Singapore DB2017	United States DB2017	Best performer globally DB2017
(Rank)									
Dealing with Construction Permits (DTF Score)	80.34	80.29	79.23	81.45	76.01	73.33	81.75	75.74	87.40 (New Zealand)
Procedures (number)	9.0	9.0	9.0	8.0	10.0	12.0	9.0	15.8	7.0 (4 Economies*)
Time (days)	86.0	86.0	183.0	96.0	149.5	197.0	48.0	80.6	28.0 (Korea, Rep.)
Cost (% of warehouse value)	1.1	1.1	3.0	1.1	5.4	0.5	6.1	1.0	0.1 (Trinidad and Tobago)
Building quality control index (0-15)	9.0	9.0	14.0	9.5	13.0	11.0	12.0	10.0	15.0 (Luxembourg*)
Getting Electricity (Rank)	17	15	25	5	33	15	10	36	1 (Korea, Rep.)
Getting Electricity (DTF Score)	89.12	89.12	85.78	98.79	84.19	89.88	91.32	83.39	99.88 (Korea, Rep.)
Procedures (number)	4.0	4.0	5.0	3.0	5.0	3.4	4.0	4.8	3.0 (15 Economies*)
Time (days)	79.0	79.0	71.0	28.0	85.0	97.7	30.0	89.6	18.0 (Korea, Rep.*)
Cost (% of income per capita)	25.8	26.7	40.8	40.8	61.9	0.0	25.8	24.4	0.0 (Japan)
Reliability of supply and transparency of tariff index (0-8)	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.6	8.0 (26 Economies*)
Registering Property (Rank)	47	46	100	79	41	49	19	36	1 (New Zealand)
Registering Property (DTF Score)	74.11	74.50	61.09	65.72	76.28	73.91	83.58	76.80	94.46 (New Zealand)
Procedures (number)	6.0	6.0	8.0	6.0	5.0	6.0	6.0	4.4	1.0 (4 Economies*)

Indicator	United Kingdom DB2017	United Kingdom DB2016	France DB2017	Germany DB2017	Ireland DB2017	Japan DB2017	Singapore DB2017	United States DB2017	Best performer globally DB2017
Time (days)	21.5	21.5	64.0	52.0	31.5	13.0	4.5	15.2	1.0 (3 Economies*)
Cost (% of property value)	4.8	4.6	7.3	6.7	2.5	5.8	2.9	2.4	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	24.0	24.0	24.5	22.0	21.0	24.5	29.0	17.6	29.0 (Singapore)
Getting Credit (Rank)	20	19	82	32	32	82	20	2	1 (New Zealand)
Getting Credit (DTF Score)	75.00	75.00	50.00	70.00	70.00	50.00	75.00	95.00	100.00 (New Zealand)
Strength of legal rights index (0-12)	7.0	7.0	4.0	6.0	7.0	4.0	8.0	11.0	12.0 (3 Economies*)
Depth of credit information index (0-8)	8.0	8.0	6.0	8.0	7.0	6.0	7.0	8.0	8.0 (30 Economies*)
Credit registry coverage (% of adults)	0.0	0.0	46.7	1.9	0.0	0.0	0.0	0.0	100.0 (3 Economies*)
Credit bureau coverage (% of adults)	100.0	100.0	0.0	100.0	100.0	100.0	65.7	100.0	100.0 (23 Economies*)
Protecting Minority Investors (Rank)	6	5	32	53	13	53	1	41	1 (New Zealand*)
Protecting Minority Investors (DTF Score)	78.33	78.33	65.00	60.00	73.33	60.00	83.33	64.67	83.33 (New Zealand*)
Strength of minority investor protection index (0-10)	7.8	7.8	6.5	6.0	7.3	6.0	8.3	6.5	8.3 (New Zealand*)
Extent of conflict of interest regulation index (0-10)	8.3	8.3	5.7	5.0	8.7	7.0	9.3	8.3	9.3 (New Zealand*)
Extent of shareholder governance index (0-	7.3	7.3	7.3	7.0	6.0	5.0	7.3	4.6	8.3 (Norway)

Indicator	United Kingdom DB2017	United Kingdom DB2016	France DB2017	Germany DB2017	Ireland DB2017	Japan DB2017	Singapore DB2017	United States DB2017	Best performer globally DB2017
10)									
Paying Taxes (Rank)	10	11	63	48	5	70	8	36	1 (United Arab Emirates)
Paying Taxes (DTF Score)	90.74	90.37	78.72	82.10	94.40	77.03	91.85	83.85	99.44 (United Arab Emirates)
Payments (number per year)	8.0	8.0	8.0	9.0	9.0	14.0	5.0	10.6	3.0 (Hong Kong SAR, China*)
Time (hours per year)	110.0	110.0	139.0	218.0	82.0	175.0	66.5	175.0	55.0 (Luxembourg)
Total tax rate (% of profit)	30.9	32.0	62.8	48.9	26.0	48.9	19.1	44.0	26.1 (32 Economies*)
Postfiling index (0-100)	87.4	87.4	92.4	97.5	92.7	78.9	73.4	93.1	98.5 (Estonia)
Trading across Borders (Rank)	28	28	1	38	47	49	41	35	1 (10 Economies*)
Trading across Borders (DTF Score)	93.76	93.76	100.00	91.77	87.25	86.43	89.30	92.01	100.00 (10 Economies*)
Time to export: Border compliance (hours)	24	24	0	36	24	23	12	2	0 (18 Economies*)
Cost to export: Border compliance (USD)	280	280	0	345	305	265	335	175	0 (18 Economies*)
Time to export: Documentary compliance (hours)	4	4	1	1	1	2	2	2	1 (25 Economies*)
Cost to export: Documentary compliance (USD)	25	25	0	45	75	60	37	60	0 (19 Economies*)
Time to import: Border compliance (hours)	3	3	0	0	24	40	35	2	0 (25 Economies*)

Indicator	United Kingdom DB2017	United Kingdom DB2016	France DB2017	Germany DB2017	Ireland DB2017	Japan DB2017	Singapore DB2017	United States DB2017	Best performer globally DB2017
Cost to import: Border compliance (USD)	0	0	0	0	253	299	220	175	0 (28 Economies*)
Time to import: Documentary compliance (hours)	2	2	1	1	1	3	3	8	1 (29 Economies*)
Cost to import: Documentary compliance (USD)	0	0	0	0	75	100	40	100	0 (30 Economies*)
Enforcing Contracts (Rank)	31	30	18	17	90	48	2	20	1 (Korea, Rep.)
Enforcing Contracts (DTF Score)	69.36	69.36	73.04	73.17	57.88	65.26	83.61	72.61	84.15 (Korea, Rep.)
Time (days)	437.0	437.0	395.0	499.0	650.0	360.0	164.0	420.0	164.0 (Singapore)
Cost (% of claim)	43.9	43.9	17.4	14.4	26.9	23.4	25.8	30.5	9.0 (Iceland)
Quality of judicial processes index (0-18)	15.0	15.0	11.0	12.0	8.5	7.5	15.0	13.8	15.5 (Australia)
Resolving Insolvency (Rank)	13	13	24	3	17	2	29	5	1 (Finland)
Resolving Insolvency (DTF Score)	82.04	82.04	76.62	92.28	80.01	93.34	74.31	89.19	93.89 (Finland)
Recovery rate (cents on the dollar)	88.6	88.6	78.5	84.4	87.7	92.1	88.7	78.6	92.9 (Norway)
Time (years)	1.0	1.0	1.9	1.2	0.4	0.6	0.8	1.5	0.4 (22 Economies*)
Cost (% of estate)	6.0	6.0	9.0	8.0	9.0	4.2	4.0	10.0	1.0 (22 Economies*)
Strength of insolvency framework index (0-16)	11.0	11.0	11.0	15.0	10.5	14.0	8.5	15.0	15.0 (6 Economies*)

Source: Doing Business database.

Note: DB2016 rankings shown are not last year's published rankings but comparable rankings for DB2016 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest

time recorded among all economies in the DB2017 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a "no practice" mark. Similarly, an economy receives a "no practice" mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a "no practice" mark puts the economy at the bottom of the ranking on the relevant indicator. * Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (http://www.doingbusiness.org).

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The size of the entire office space is approximately 929 square meters (10,000 square feet).

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city[1]

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company or open a bank account.

Obtaining any gender specific document for company registration and operation, national identification card or opening a bank account.

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

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

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

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

Deposited in a bank or with a notary before registration (or within 3 months)

- Is 100% domestically owned and has five owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate.
- The amount of the annual lease for the office space is equivalent to 1 times income per capita.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married, the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

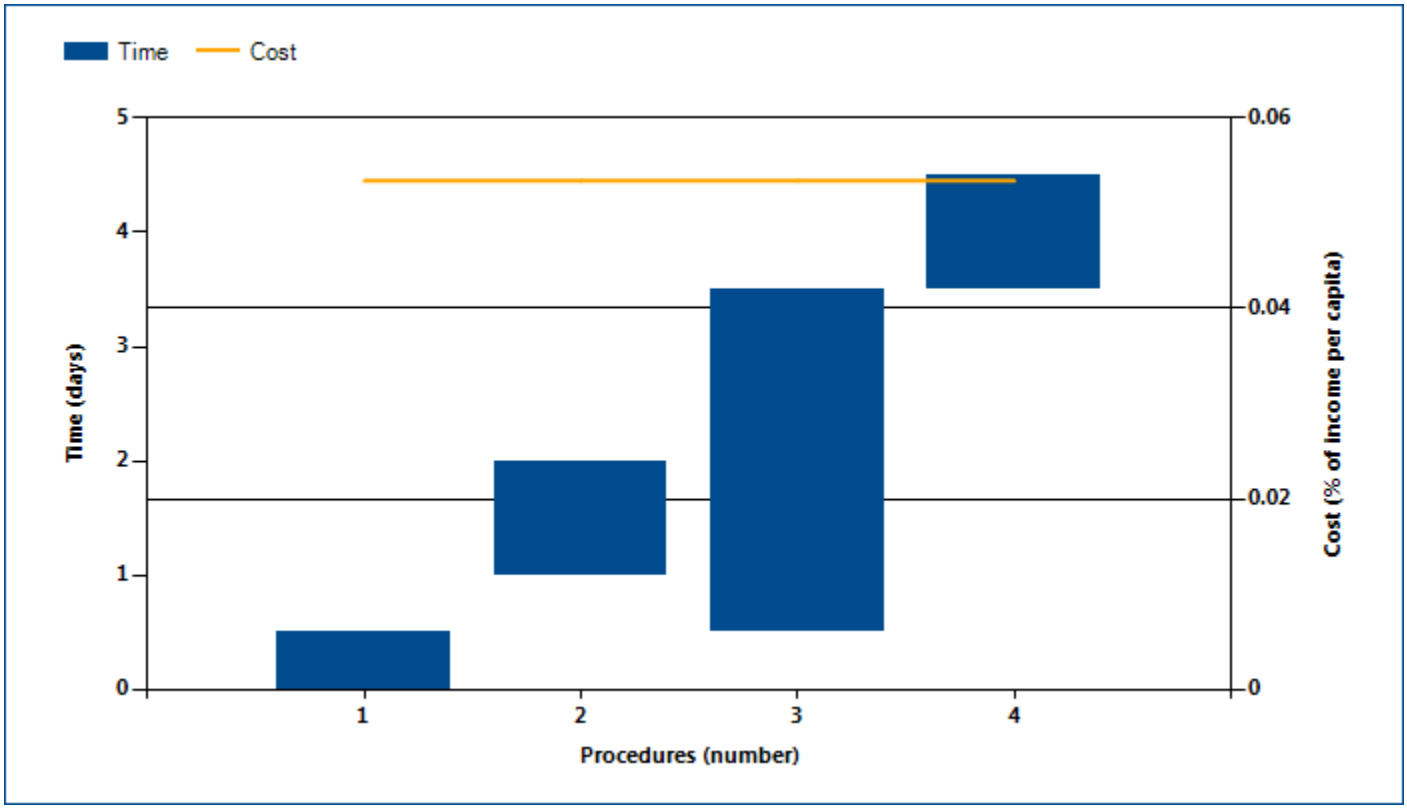
STARTING A BUSINESS

Where does the economy stand today?

What does it take to start a business in United Kingdom? According to data collected by *Doing Business*, starting a business there requires 4.0 procedures , takes 4.5 days, costs 0.1% of income per capita for men, and requires 4.0 procedures , takes 4.5 days, costs 0.1% of income per capita for women. A requirement of paid-in minimum capital of 0.0% of income per capita (figure 2.1) is legally mandatory for both men and women. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in United Kingdom

Paid-in minimum capital (% of income per capita): 0.0



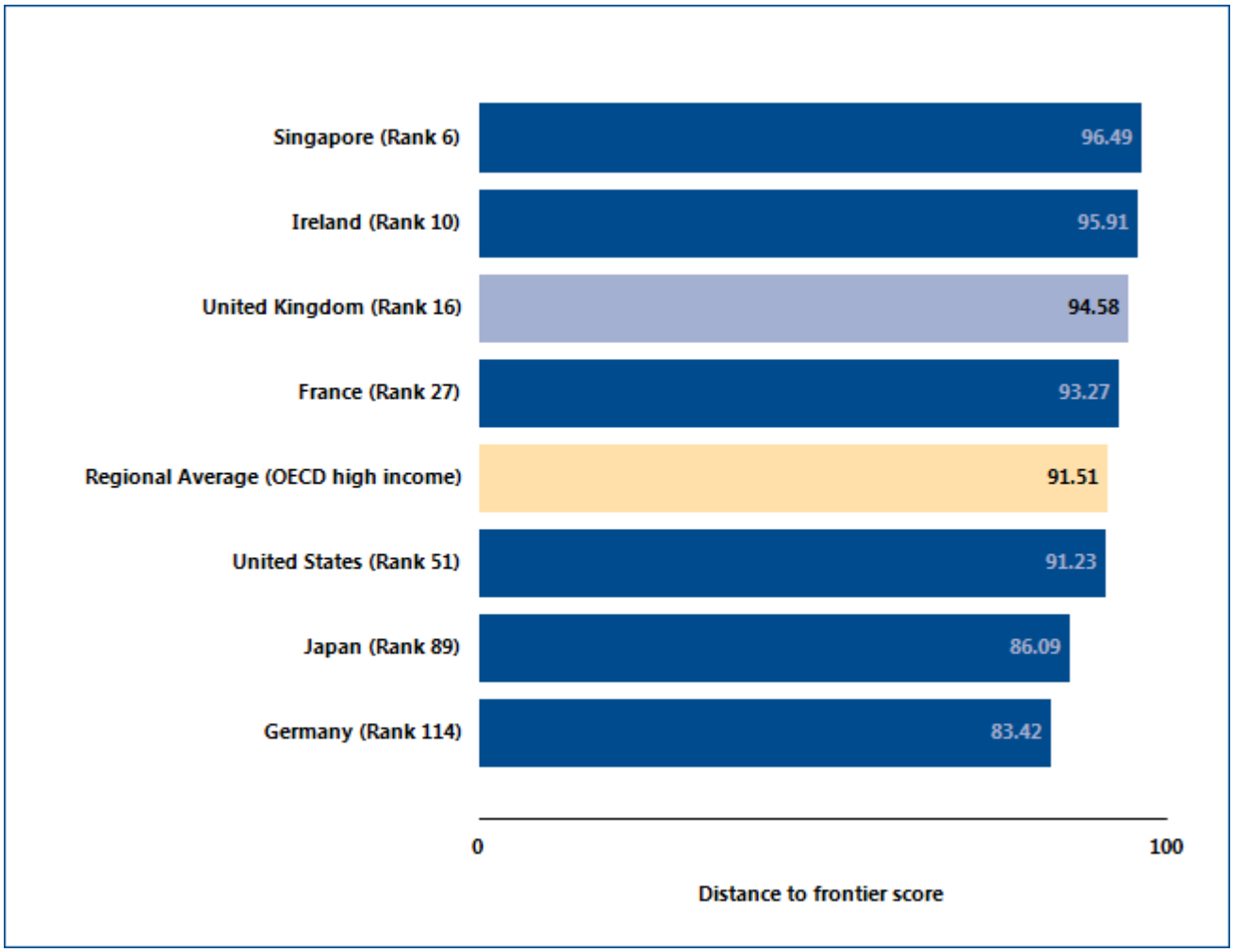
Source: Doing Business database.

Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter. Procedures in light blue for married women only.

STARTING A BUSINESS

Globally, United Kingdom stands at 16 in the ranking of 190 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in United Kingdom to start a business.

Figure 2.2 How United Kingdom and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in United Kingdom (table 2.1)?

Table 2.1 How has United Kingdom made starting a business easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2014	The United Kingdom made starting a business easier by providing model articles for use in preparing memorandums and articles of association.
DB2015	The United Kingdom made starting a business easier by speeding up tax registration.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for United Kingdom is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the "standardized company") used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: **Private Limited Company (Ltd)**

Paid-in minimum capital requirement: **GBP 0**

City: **London**

Start-up Capital: **10 times GNI per capita**

Table 2.2 Summary of time, cost and procedures for starting a business in United Kingdom

No.	Procedure	Time to complete	Cost to complete
1	**Check availability of unique company name, complete application form IN01, and file for registration with Companies House** Company founders have the option to check for unique company name and file for registration themselves, or to retain incorporation professionals to do so. The option to complete registration is through paper application or electronically. In case the company chooses to file for incorporation itself online, model articles of incorporation and company memorandum are generated automatically by the registration website www.gov.uk/register-a-company-online. In addition the above forms, all companies must provide the following information to the relevant Registrar of Companies (i.e., for England and Wales, Scotland, or Northern Ireland): • Statement of compliance with all requirements of the 2006 Companies Act; • Application form IN01, which includes: o proposed company name; o country of registration office (e.g. England and Wales (or Wales), Scotland or Northern Ireland); o Whether the liability of the members is to be limited and if so whether by shares or guarantee; and; o Whether the company is public or private; • In the case of a company with a share capital, the application must also include a statement of the capital and initial shareholdings, including the name and address of the subscriber. • A statement of the proposed officers, being the first director and company secretary (unless in the case of a private company, where	Less than one day (online procedure)	GBP 15 for online registration

No.	Procedure	Time to complete	Cost to complete
	the appointment of a company secretary is optional); • A statement of the intended registered office address. On completing the online form if the company name provided cannot be used the website will alert you to this and you have the option of selecting another name. Fees for filing incorporation documents are as follows: GBP 15 for a Web filed incorporation and GBP 40 for paper filers (or GBP 100 for a same day service). The standard digital registration fee through a third party agent is GBP 13 (or GBP 30 for a same day service). There is no requirement for a company to use a third party agent. Third party agents may charge additional fees as well as the standard registration fee. In case the company chooses to retain incorporation agents to file for registration, in addition to the above documents, the application file must include the agents' name and address. Note that in case the company wants to amend model articles of association or company memorandum it cannot file for registration online via www.gov.uk/register-a-company-online. Instead, the company must use professionals to compose incorporation documents and submit them via specialized software to Companies House. Registration is typically completed within a few hours. *Agency: Companies House*		
2	**Contact HMRC and register for VAT** A business will need to register for VAT if its taxable goods and services supplied within the UK for the previous 12 months is more than the current registration threshold of £83,000 (as of April 2016) or the business expects it to go over that figure in the next 30 days alone, it must register for VAT. However, the business may also voluntarily choose to register for VAT if its VAT taxable goods fall under the £83,000 threshold. Most businesses, including Limited Companies, can register for VAT account online at: https://online.hmrc.gov.uk/registration or send paper forms through the post. Most applications for VAT registration can be completed online but there are some circumstances where a business has to apply by post. To register online for VAT or use other VAT online services, a business will first need to sign up for HMRC Online Services or the Government Gateway. *Agency: HMRC*	Less than one day (online procedure)	no charge
* 3	**Contact HMRC and register for PAYE** The company must contact the HMRC to set up a contribution scheme for national insurance and pay-as-you-earn (PAYE) tax, which deducts tax from employee wages or salary. The company will be issued with an	3 days, simultaneous with previous procedure	no charge

No.	Procedure	Time to complete	Cost to complete
	activation PIN within 5 business days – typically less - and will have to activate this PIN within 28 days (or else request a new PIN). The company will use the PIN to register and enroll online. For security reasons, a check is run on the data provided. A small percentage of registrations who fail the security check can take longer. Otherwise, activation is instant. Since 6 April 2013, companies will need to report their PAYE in real time. This means that companies must either report online or require their accountants to submit reports every time they pay their employees. *Agency: HMRC*		
4	**Sign up for employer's liability insurance** The Employers' Liability (Compulsory Insurance) Act of 1969 requires all employers in the United Kingdom to maintain employers' liability insurance from an approved insurance company. The minimum legal requirement for employers' liability insurance is a limit of indemnity of GBP 5,000,000. In addition, a fine of GBP 2,500 per day can be imposed if employer's liability insurance is not taken out. The Employers' Liability (Compulsory Insurance) Act of 1969 requires that proof of insurance be posted at the workplace. Since October 1, 2008, it is possible to display this information electronically, although a company that wishes to do this will need to ensure that its employees know how and where to find the certificate and have reasonable access to it. *Agency: Insurance company*	1 day	no charge

* Takes place simultaneously with another procedure.
Source: Doing Business database.
Note: Online procedures account for 0.5 days in the total time calculation.
Procedures in light blue for married women only.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, the building quality control index evaluates the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications and receiving all necessary inspections
- Obtaining utility connections for water and sewerage
- Registering and selling the warehouse after its completion

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure considered completed once final document is received
- No prior contact with officials

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

- Official costs only, no bribes

Building quality control index (0-15)

- Sum of the scores of six component indices:
- Quality of building regulations (0-2)
- Quality control before construction (0-1)
- Quality control during construction (0-3)
- Quality control after construction (0-3)
- Liability and insurance regimes (0-2)
- Professional certifications (0-4)

professional experience necessary to obtain construction permits and approvals.

- Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone.
- Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
- Is valued at 50 times income per capita.
- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

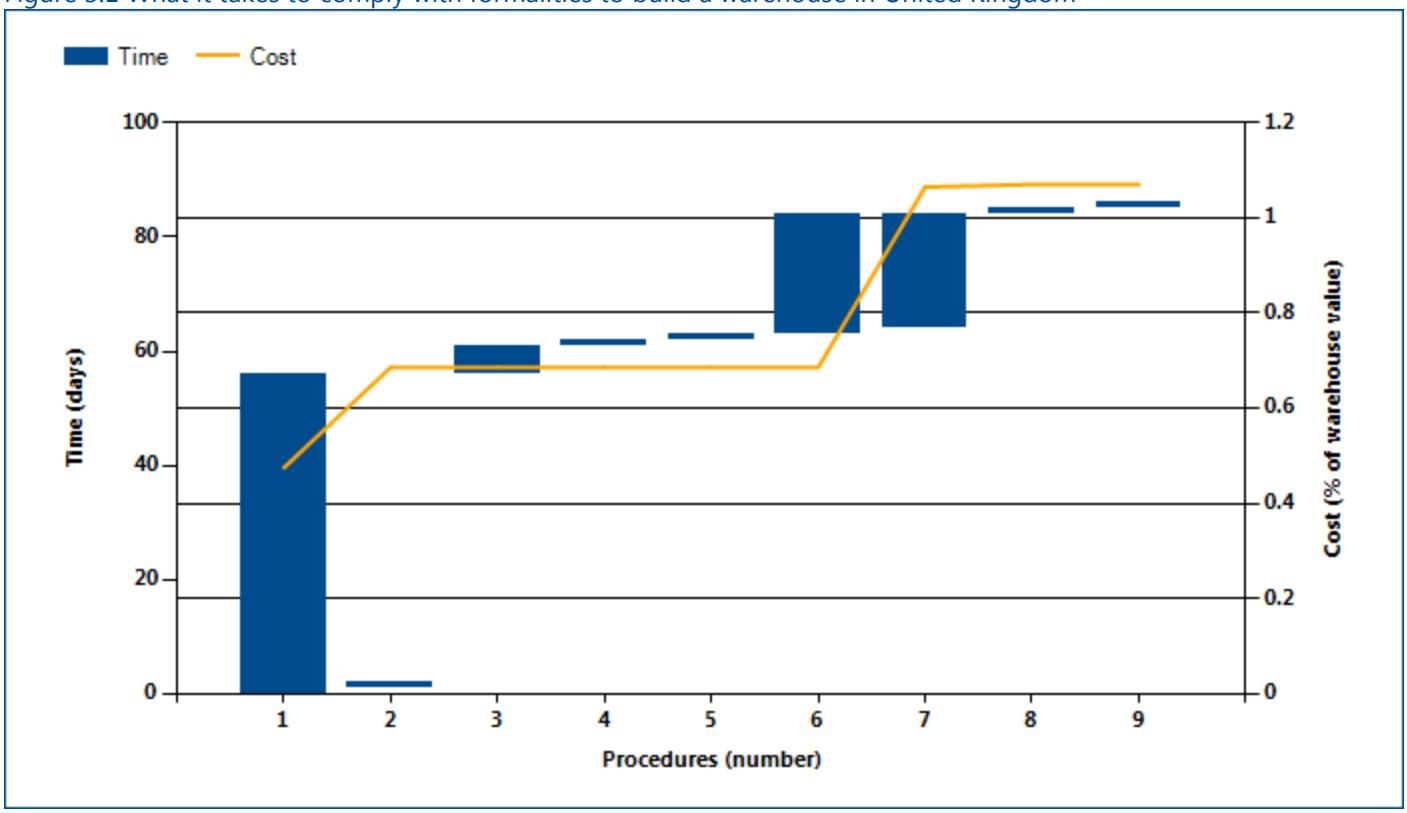
- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in United Kingdom? According to data collected by *Doing Business*, dealing with construction permits there requires 9.0 procedures, takes 86.0 days and costs 1.1% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in United Kingdom



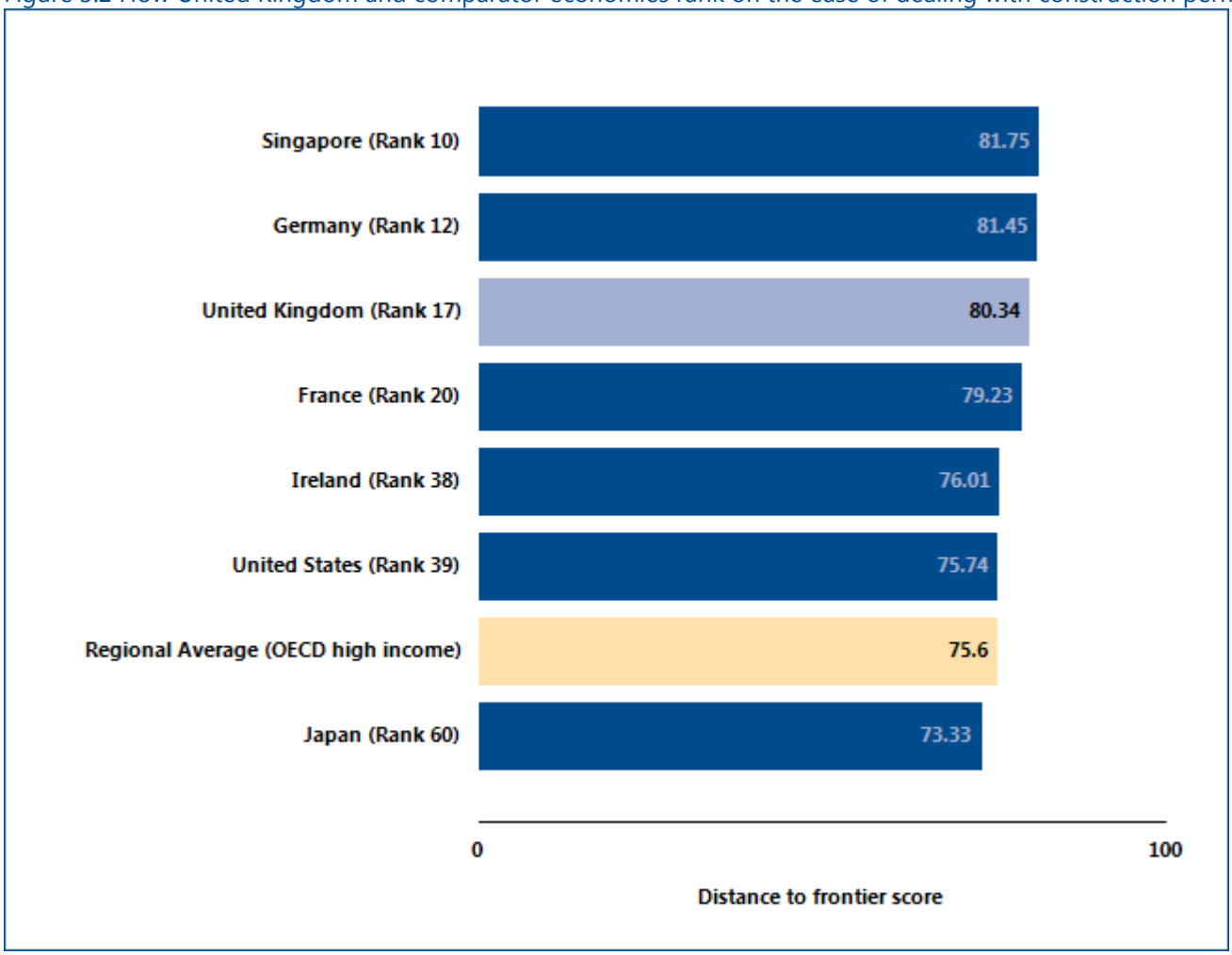
Source: Doing Business database.
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

.

DEALING WITH CONSTRUCTION PERMITS

Globally, United Kingdom stands at 17 in the ranking of 190 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in United Kingdom to legally build a warehouse.

Figure 3.2 How United Kingdom and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in United Kingdom (table 3.1)?

Table 3.1 How has United Kingdom made dealing with construction permits easier—or not? By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2012	The United Kingdom made dealing with construction permits easier by increasing efficiency in the issuance of planning permits.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for United Kingdom are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE	
Estimated value of warehouse :	**GBP 1,404,520**
City :	**London**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in United Kingdom

No.	Procedure	Time to complete	Cost to complete
1	**Obtain planning permission** BuildCo must obtain planning permission from the local planning authority. In London, the decision-maker is the relevant London borough where the site is located. There are 33 boroughs in Greater London. The planning application must be accompanied by a plan of the site, drawings showing the proposed development, and any other information the local authority considers necessary. The local authority publishes a list with the information it considers necessary on its website, so that applicants know what is required of them. The relevant legislative framework is the Development Management Procedure Order (2010). If BuildCo is submitting a paper application, it must also provide at least 3 copies of the accompanying documents. Alternatively, BuildCo can apply online via the Planning Portal, which accepts electronic planning applications on behalf of all London boroughs, using a standard application form that was introduced across England in 2008. If it applies electronically, no further copies are required. A fee is charged for the planning application, based on the amount of floor space that would be created by the scheme. The size of BuildCo's proposed development falls below the threshold for a “major application”, which means that the time frame for a decision is 8 weeks rather than 13. During this period, the local planning authority will publicize the application in the surrounding area and consult a number of statutory consultees -- bodies with a specialist responsibility such as nature conservation, heritage protection, highways -- who may wish to comment on the acceptability of the proposal from their perspective. The local authority accepts these comments and the comments of any local people who wish to comment on the application. They will be taken into account in the decision to grant or refuse permission. If no decision is made within 8 weeks, or if the authority decides to refuse permission, the applicant is	56 days	GBP 6,676

No.	Procedure	Time to complete	Cost to complete
	entitled to appeal to the Secretary of State. Additionally, in April 2010, the Government introduced new 'permitted development' rights for businesses who seek to extend their existing premises. This means that minor extensions, which would previously have required planning permission, may proceed without it, thereby saving time for the business owners and enabling the local planning authority staff to concentrate on larger and more important projects. In May 2013, the Government further extended these rights to allow for larger extensions of pre-existing agricultural buildings and warehouses. *Agency: Planning Department of Local Authority*		
* 2	**Hire an Approved Inspector** BuildCo signs a contract with an Approved Inspector. Approved Inspectors (AI) are companies or individuals authorized under the Building Act 1984 to carry out building control work in England and Wales. An Approved Inspector will: • Advise BuildCo on how the building regulations apply to its work (to a degree) • Check plans for compliance with building regulations • Issue a planning certificate (if requested) • Inspect the work as it progresses • Issue a final completion certificate (if requested) The building control process was extended under the Building Act 1984 to include AIs as well as Local Authorities. Currently, there are 91 AIs on CICAIR Limited's register covering England and Wales, accounting for about 60% of all building control work. AIs are licensed by CICAIR Limited for every 5 years. A list of AIs is available from the Construction Industry Council website. Local Authorities have statutory time limits of 6 to 8 weeks for approving plans while AIs do not have any time limits so may provide a faster turnaround. By hiring AIs it eliminates need for companies to deal with the Building Control Department at the Local Authority. However, the Local Authority is still responsible for the enforcement of the regulations. AIs usually operate nationally and bring consistency of interpretation of the Building Regulations. While the planning permission (consent) is being obtained from Planning Department in Local Authority, the AI sends an Initial Notice to the Building Control Departement of Local Authority to inform them that it will take responsbilty over the building control process. The Local Authority Building Control Departement has 5 days in which to reject the notice. If the Initial Notice is not rejected within 5 days construction work may begin. AI, for BuildCo's case, would conduct approximately 8-9 inspections at various stages of construction	1 day	GBP 2,964

No.	Procedure	Time to complete	Cost to complete
	on a risk assessment basis. AIs are in competition with local authority building control and have no restrictions on how much they can charge. AI fees are usually lower than local authority building control who are covered by the Building (Local Authority Charges) Regulations 2010 which requires local authorities to fix their charges by means of a scheme, full cost recovery and the fact that the user should pay for the actual service they receive. The cost for the services of AI is comprised of several elements and is mostly charged on a hourly rate. The below estimate is a sample of what an average cost breakdown by an AI looks like: • Plan checking: (16 hours x GDP 60) = GBP 960.00 • Inspections: (9 sessions x 2h x GBP 60.00) = GBP 1,080.00 • Structural checking: (2 hrs x GBP 60.00) = GBP 120.00 • Consultations: (0.5 hrs x GBP 60) = GBP 30.00 • Electronic/Internet drawings GBP 75.00 • Meetings: (3.75 hrs x GBP 60.00) = GBP 225.00 • Administrative: (0.5 hrs x GBP 60.00) = GBP 30.00 • Inspections petrol fee: (40 miles x GBP 3.60) = GBP 144.00 • Contingency: (5 hrs x GBP 60.00) = GBP 300.00 Total: GBP 2,964 *Agency: Approved Inspector*		
3	**Approved Inspector files the initial notice to the Local Authority** Once the contract is signed and the terms of reference are outlined, the builder and the AI jointly notify the local authority of their intention to build -- also called an initial notice. This initial notice will inform the Local Council that the AI has been retained. Once this notice has been accepted by the local authority, the responsibility for plan checking and site inspection will be formally placed on the AI. The local council has 5 days to accept or reject the initial notice in writing (via email, fax or post). Acceptance is given by default if the local authority does not respond within the 5-day period. During that period of time, no work can be done. Once construction work commences, the AI would conduct at least 8 -- 9 inspections at various stages of construction and risk-based factors (for BuildCo's case). *Agency: Local Authority*	5 days	no charge
4	**Apply for water and sewage connection** *Agency: Thames Water Utilities Ltd.*	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
5	**Receive inspection from the water and sewage provider** Upon approval the engineer instructs Thames Water's contractor to assess the physical work involved to make the connection. This includes a site survey, size of site gang/workforce, equipment and materials needed, plus any involvement with the local highway department as to whether there is any significant impact on the public road network. This element takes approximately 2-3 weeks. The contractor will then send their report to the engineer with the scope of work, survey and technical proposal. The engineer will prepare and authorize the quote and send it out to BuildCo within 5 days of receipt of the contractor's report. *Agency: Thames Water Utilities Ltd.*	1 day	no charge
6	**Submit application to local Fire and Rescue Authority and obtain approval** Approved Inspector submits (via mail) the respective elements of the drawing and plans pertinent to fire safety to a local Fire Safety Office to ensure that the building is compliant with the latest fire safety legislation and that the appropriate fire and life safety systems are in place. By law, the Fire Safety Office must respond within 15 business days (21 calendar days) and send its comments and approval. This is done as part of plan approval process and is recorded as an independent procedure since AI interacts with a Fire Officer. Upon the completion of the building, BuildCo used to obtain a Fire Certificate from Fire Safety Office. However, the Fire Certificate is no longer required following the reforms in the Regulatory Reform (Fire Safety) Order 2005 (FSO 2005) which came into effect in October 2006, and replaced over 70 pieces of fire safety laws. The FSO applies to all non-domestic premises in England and Wales, including the common parts of blocks of flats and houses in multiple occupations (HMOs). The FSO 2005 is a tool for self-regulation of businesses for the fire risk of the premises. Under the FSO, the responsible person must carry out a fire safety risk assessment and implement and maintain a fire management plan. The companies have to carry out a risk assessment by completing a 5-step fire risk assessment survey online: (http://www.fire.gov.uk/Workplace+safety/WhatTheLawRequires/)	21 days	no charge

No.	Procedure	Time to complete	Cost to complete
	According to this survey -- FSO 2005 the warehouse of BuildCo would be classified as medium risk object. Since there will be more than 5 people occupying/working in the building, BuildCo would need to file the copy of completed FSO 2005 to the local Fire Safety Office. BuildCo does not need to wait for the approval or any other consent before using the premises. This risk is with the building operators, as they are deemed liable for any problems. The Fire Safety Office may conduct an inspection under a risk-based scheme: whether there was a similar track record of companies with fire, or neighbors complain, etc. Small scale and standard objects would be seldom inspected. Also, given that this would be a new building it would be assumed by the Fire Safety Office that the latest techniques of fire safety prevention would have been considered during the planning process. *Agency: Fire and Rescue Authority*		
* 7	**Obtain water and sewerage connection** *Agency: Thames Water Utilities Ltd.*	20 days	GBP 5,321
8	**Request and receive energy performance certificate from Accredited Energy Assessor** Following the nationwide implementation of the "Energy Performance of Buildings Directive" adopted, on December 16, 2002, as of October 1, 2008 all commercial buildings whenever built, rented or sold require an Energy Performance Certificate. The certificate records how energy effcient a property is as a building and provides A+ to G ratings. It is the responsibilty of the builder/constructor to give the Energy Performance Certificate to the Purchaser on physical completion of the building and notify the local authority Building Control officers or approved inspectors, who will not issue a Certificate of Completion until the issue of an EPC has occurred. They are produced using standard methods and assumptions about energy usage so that the energy effciency of one building can easily be compared with another building of the same type. This allows prospective buyers, tenants, owners, occupiers and purchases to see information on the energy effciency and carbon emissions from their building so they can consider energy effciency and fuel costs as part of their investment. An EPC always includes a recommendation report that lists cost effective and other measures (such as low and zero carbon generating systems) to improve the energy rating. A rating is also given showing what could be achieved if all the recommendations were implemented.	1 day	GBP 78

No.	Procedure	Time to complete	Cost to complete
	The fee for producing an EPC is determined by the market and may vary between GBP 55.00 to GBP 100.00. *Agency: Accredited Energy Assessor*		
9	**File completion certificate with the Local Building Control Department** Once the building is completed, BuildCo would notify AI about the completion. AI completes the final inspection within 24 hours and prepares the final certificate of completion. AI will send a copy of the final completion certificate to the Building Control Department of Local Authority and BuildCo within 5 days after completion of the final inspection. The Local Authority keeps the final completion certificate in a public register. There would be no local authority inspection. *Agency: Local Building Control Department*	1 day	no charge

* Takes place simultaneously with another procedure.
Source: Doing Business database.
Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Table 3.3 Summary of quality control and safety mechanisms in United Kingdom

	Answer	Score
Building quality control index (0-15)		9.0
Quality of building regulations index (0-2)		2.0
How accessible are building laws and regulations in your economy? (0-1)	Available online; Free of charge.	1.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
Quality control before construction index (0-1)		1.0
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed engineer; Private firm.	1.0
Quality control during construction index (0-3)		3.0
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by external engineer or firm; Risk-based inspections.	2.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0
Quality control after construction index (0-3)		3.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, external engineer submits report for final inspection.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0
Liability and insurance regimes index (0-2)		0.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	No party is held liable under the law.	0.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or	No party is required by law to obtain insurance .	0.0

	Answer	Score
Decennial Insurance)? (0-1)		
Professional certifications index (0-4)		0.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Minimum number of years of experience; Being a registered architect or engineer.	0.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Being a registered architect or engineer.	0.0

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, *Doing Business* also measures the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

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

- Official costs only, no bribes
- Excludes value added tax

The reliability of supply and transparency of tariffs index

Sum of the scores of six component indices:

- Duration and frequency of outages
- Tools to monitor power outages
- Tools to restore power supply
- Regulatory monitoring of utilities' performance
- Financial deterrents aimed at limiting outages
- Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

- Price based on monthly bill for commercial warehouse in case study

***Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking**

The warehouse (*continued)*:

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located
- Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

Assumptions about the monthly consumption

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

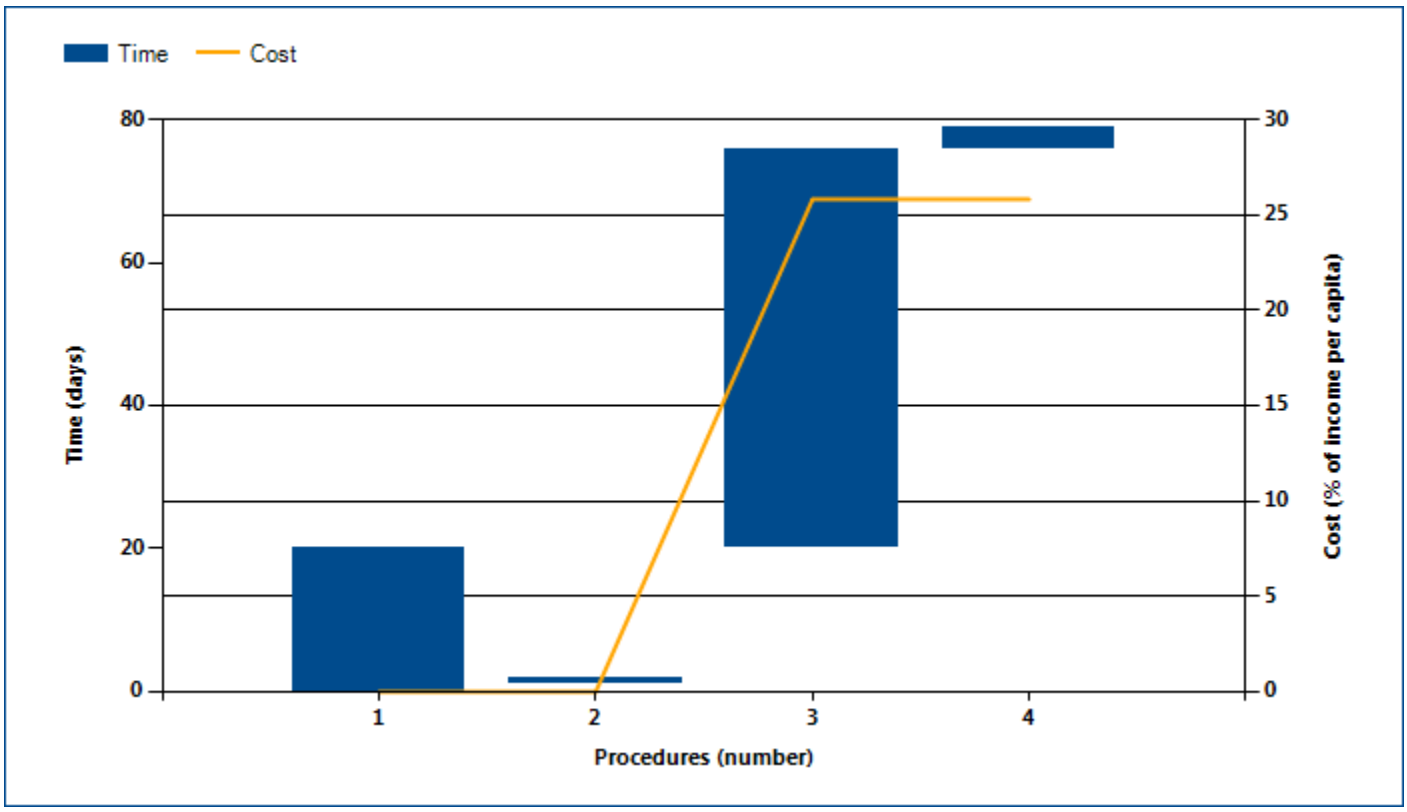
GETTING ELECTRICITY

Where does the economy stand today?

What does it take to obtain a new electricity connection in United Kingdom? According to data collected by *Doing Business,* getting electricity there requires 4.0 procedures, takes 79.0 days and costs 25.8% of income per capita (figure 4.1).

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 4.1 What it takes to obtain an electricity connection in United Kingdom

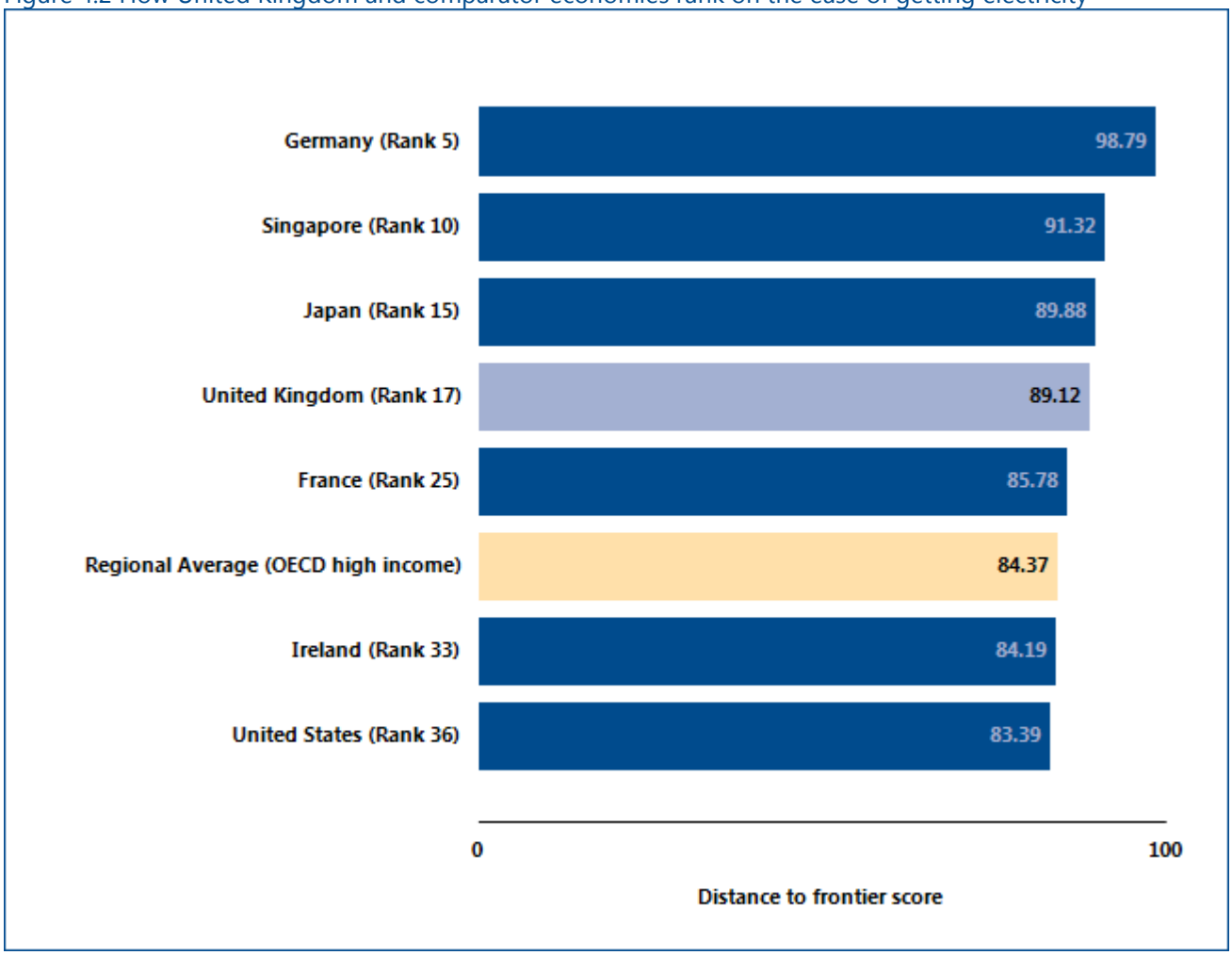


Source: Doing Business database.
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

GETTING ELECTRICITY

Globally, United Kingdom stands at 17 in the ranking of 190 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in United Kingdom to connect a warehouse to electricity.

Figure 4.2 How United Kingdom and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for United Kingdom are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

OBTAINING AN ELECTRICITY CONNECTION*	
Name of utility:	**UK Power Networks**
Price of electricity (US cents per kWh):	**15.5**
City:	**London**

*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the getting electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in United Kingdom

No.	Procedure	Time to complete	Cost to complete
1	**Submit application to UK Power Networks and await and accept estimate** The application can be submitted online, in person or by mail. The connection requestor has to attach with the application: completed application form and site drawings. At this stage the applicant can choose either UK Power Networks or an Independent Connection Provider to design the network extension while only UK Power Networks can design the point of connection and any upstream reinforcement works. The connection may also be provided by an Independent Distribution Network Operator (IDNO). With this option the IDNO would continue to own and operate the distribution system assets installed. The majority of the clients customers choose UK Power Networks to complete all parts of the connection for this type of project. A budget estimate and connection offer is issued free of charge.	20 calendar days	GBP 0

No.	Procedure	Time to complete	Cost to complete
	Agency: UK Power Networks		
* 2	**Sign supply contract with supplier** The customer will contact its chosen supplier to enter into a supply contract. The customer will advise the supplier of the supply number and the date by which the connection will be provided (as advised by the distributor). This will take place in a single customer transaction over the telephone or on line and within 1 day. *Agency: UK Power Networks/Supplier*	1 calendar day	GBP 0
3	**Receive external connection works from UKPN** The metering industry in the UK is an open competitive market, and the applicant can choose their own Meter Operator or can choose to use the Meter Operator services provided by the electricity supplier. The electricity supplier normally appoints the meter operator. Requirements regarding the conclusion of the meter operation contract vary. The applicant can sign a separate contract with the chosen meter operator or cost can be passed on through the supply contract . The internal wiring must be completed by the electrician to BS7671 standards. The electrician must carry out a full inspection and testing of the internal wiring and then provide a BS7671 certificate to both the meter operator and to the electricity distributor before the connection can be energized. The inspection of the internal wiring is done when a meter is installed. Inspection of internal wiring is done through a visual inspection by a meter operator. It is a good practice that somebody is present during the installation of the meter/internal wiring inspection. The metering must be installed before a supply of electricity can be provided. The electricity can start flowing on the same day the external connection works are finished providing the supplier and the metering operator have sufficient notice. *Agency: Meter Operator/Supplier*	56 calendar days	GBP 7,256.9
4	**Receive meter installation from supplier and final turn on electricity** Some of the external connection works which are contestable (not all works are contestable) can be performed by an approved contractor or by UK Power Networks. In the majority of cases for this type of connection customers choose UK Power Networks to carry out all the external connection works. Given the case assumptions the most	3 calendar days	GBP 0

No.	Procedure	Time to complete	Cost to complete
	common arrangement would be the installation of a 200 amp TP & N (three phases and neutral) service off a passing LV main. The utility obtains the excavation permit at the local authority or Highways Agency or specific body such as TFL in London. *Agency: UK Power Networks*		

* Takes place simultaneously with previous procedure.
Source: Doing Business database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in United Kingdom

	Answer	Score
Reliability of supply and transparency of tariff index (0-8)		**8.0**
Total duration and frequency of outages per customer a year (0-3)		**3.0**
System average interruption duration index (SAIDI)	0.37	
System average interruption frequency index (SAIFI)	0.23	
Mechanisms for monitoring outages (0-1)		**1.0**
Does the distribution utility use automated tools to monitor outages?	Yes	
Mechanisms for restoring service (0-1)		**1.0**
Does the distribution utility use automated tools to restore service?	Yes	
Regulatory monitoring (0-1)		**1.0**
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes	
Financial deterrents aimed at limiting outages (0-1)		**1.0**
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes	
Communication of tariffs and tariff changes (0-1)		**1.0**
Are effective tariffs available online?	Yes	
Link to the website, if available online	www.switchmybu	

	Answer	Score
	siness.com	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes	

	Answer
Price of electricity (US cents per kWh)	15.5

Source: Doing Business database.
Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March. As noted, the warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, *Doing Business* also measures quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

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

The property (fully owned by the seller):

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

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure considered completed once final document is received
- No prior contact with officials

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

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

Quality of land administration index (0-30)

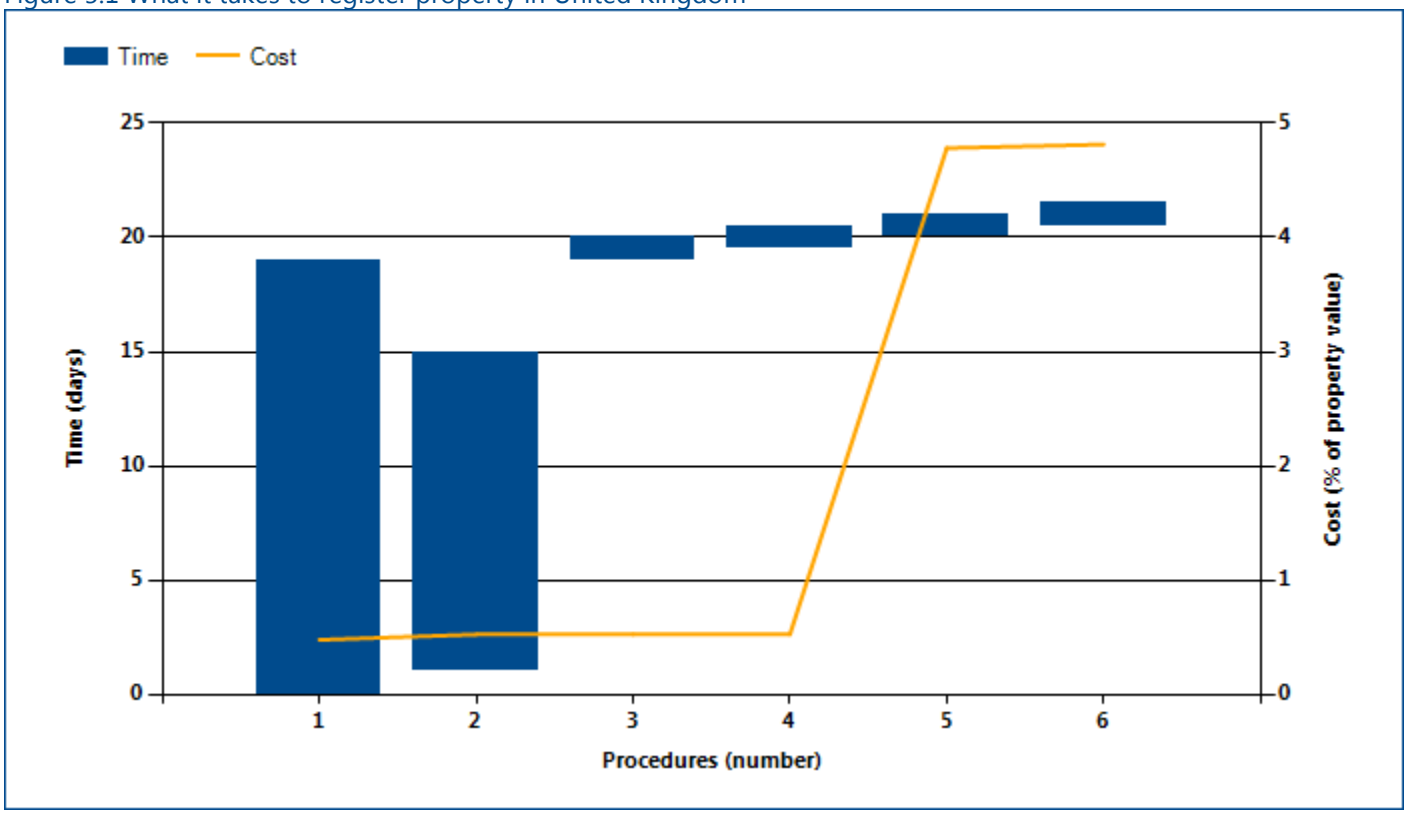
REGISTERING PROPERTY

Where does the economy stand today?

What does it take to complete a property transfer in United Kingdom? According to data collected by *Doing Business*, registering property there requires 6.0 procedures, takes 21.5 days and costs 4.8% of the property value (figure 5.1). The score on the quality of land administration index is 24.0

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in United Kingdom

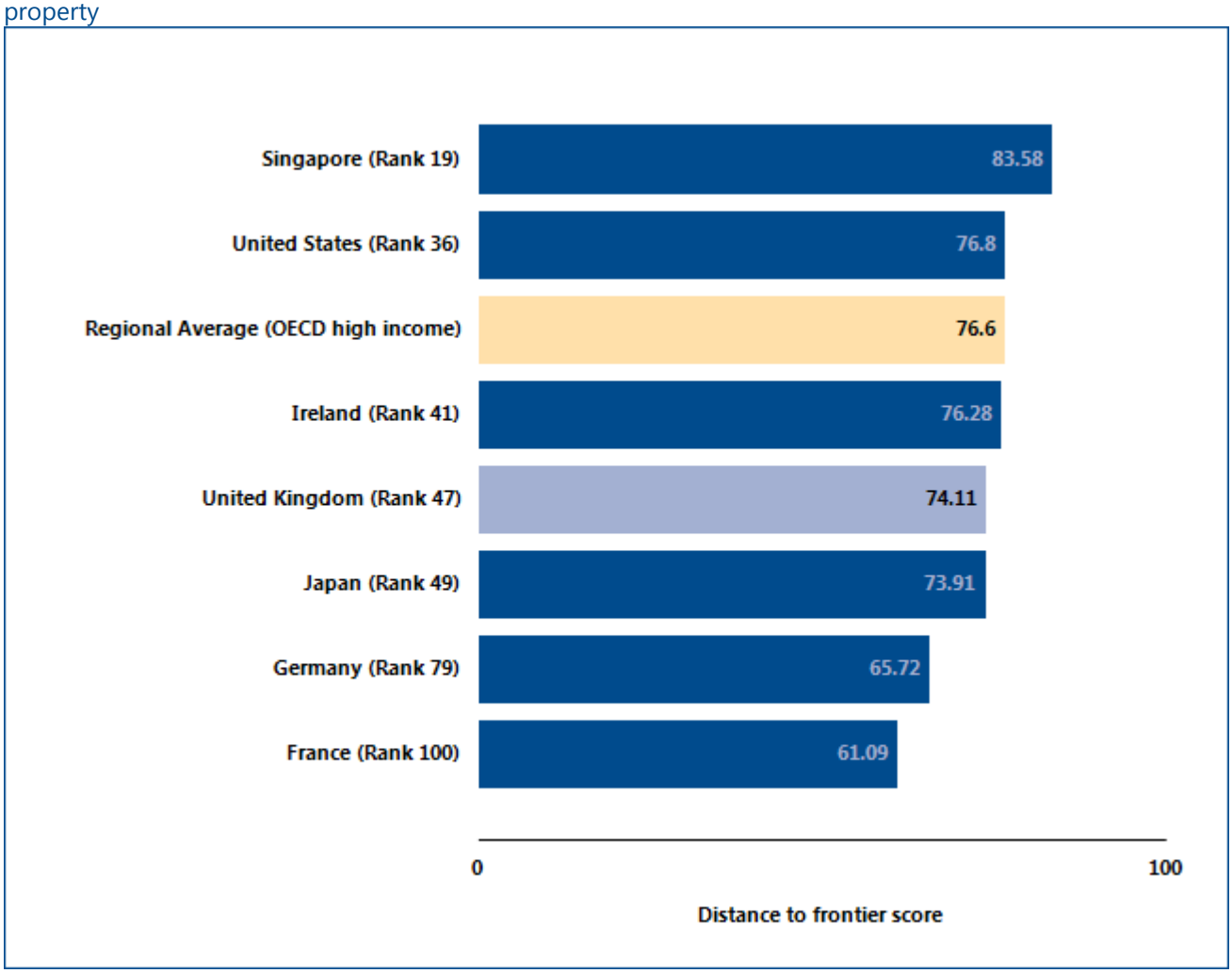


Source: Doing Business database.
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (http://www.doingbusiness.org). For details on the procedures reflected here, see the summary at the end of this chapter.

REGISTERING PROPERTY

Globally, United Kingdom stands at 47 in the ranking of 190 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in United Kingdom to transfer property.

Figure 5.2 How United Kingdom and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in United Kingdom (table 5.1)?

Table 5.1 How has United Kingdom made registering property easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2014	The United Kingdom made transferring property easier by introducing electronic lodgment for property transfer applications.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer's name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER	
Property value:	**GBP 1,404,520**
City:	**London**

Table 5.2 Summary of time, cost and procedures for registering property in United Kingdom

No.	Procedure	Time to complete	Cost to complete
1	**Standard enquiries of the seller delivered to the buyer's solicitor with a title pack** Commercial Property Standard Enquiries (CPSE) are used by solicitors to find out details that cannot be inferred from the searches, eg. who is in actual occupation, how long the property has been used for its present use. Most solicitors use the commercial property standard enquiries prepared by members of the London Property Support Lawyers Group and endorsed by the British Property Federation. Depending on the enquiries raised, the seller's solicitor would typically spend 1-3 billable hours to prepare the enquiries taking his client's instructions. It would probably take the buyer's solicitor 30 minutes to 1 hour to review the replies. If there was no particular urgency, this part of the process would typically be started at the same time as the searches are requested, and would be completed in around 1 week after the results of all the searches are received. *Agency: Solicitors of the parties*	1-4 weeks (simultaneous with Procedure 2)	GBP 3,500 - GBP 10,000
* 2	**Conduct searches on the property** The buyer's solicitor will review the registered title to the property. It is the responsibility of the buyer's conveyancer to confirm to the buyer that it will be acquiring good and marketable title to the property. As part of the due diligence to determine whether the title is good and marketable, the purchaser's solicitor will conduct the following searches: 1. Investigation of the title: to know whether the land is registered at the Land Registry and know what interests affect this land and if there are any limitations. If the land is unregistered, the solicitor would have to look at the deeds and correspondence between the persons that appear	1-3 weeks (simultaneous with Procedure 1)	GBP 300 to GBP 1000

No.	Procedure	Time to complete	Cost to complete
	on those deeds. This will be decreasingly the case as registration is now compulsory. 2. Conveyancing searches, which would include: • Local Authority Search • Planning history (eg. permissions) • Desktop environmental search (to determine any environmental issues, such as flooding or contamination) • Public highway search • Chancel repair liability search (in this case the solicitor does not search the property itself, but the area in which the property is. If the area turns out to be affected by the liability to contribute to chancel repairs, then the property has to be insured against any future chancel repair claims. The amount of the insurance depends on the value of the property) • Other searches depending on the area, eg. coal mine shaft search or underground search (these issues affect the value of the property) 3. Seller company search: to see the articles of association and what powers the representatives have For a property in London, solicitors usually request most of these searches through a search portal. These search portals are the one stop shop for most searches, and solicitors need a user name to access them. The search portals will pass on to the solicitor the information that they acquire from the relevant authorities. In total, these searches are usually 300 to 1000 pounds, depending on the number of searches requested, the amount that each local authority charges, and whether the solicitor requests the standard searches or is adding additional questions, which increase the cost. The results of the searches take from one day to 2-3 weeks to come back, depending on the search. The local authority search is the lengthiest one. Once satisfied with the results of the searches, the information provided in the standard enquiries and the title pack, the buyer's solicitor will prepare a report for the buyer on the title and other matters affecting the property. *Agency: Search portal*		
3	**Drafting of contracts and exchange of contracts once agreed** Property transactions are conducted by licensed conveyancers or solicitors. However, in the case of commercial properties, these transactions are usually conducted by solicitors. The seller's solicitor will prepare a draft of the contract and submit it to the purchaser's solicitor once approved by his/her client. The purchaser's solicitor will review the draft and suggest any suitable amendments. Once the two parties agree on the contract, contracts are exchanged. The solicitors acting for the buyer and seller can meet to exchange contracts, but that is rare. The exchange is usually done over the telephone in accordance with a specific formula for exchanging contracts over the phone. The most	1 day (simultaneous with Procedure 4)	included in Procedure 1

No.	Procedure	Time to complete	Cost to complete
	common is formula B where each solicitor holds a 'part' contract signed by his client. The solicitors agree over the phone specific terms of the contract (e.g., the amount of the deposit, completion date, etc.) and record the time of exchange and other details. Each solicitor sends their client's part contract to the other solicitor in the post that day. The buyer's solicitor will also send a check for the deposit (usually 10% of the purchase price). *Agency: Lawyer's office*		
* 4	**Pre-completion search with priority requested at the Land Registry** The buyer's solicitor raises pre-completion enquiries of the seller's solicitor known as 'requisitions on title' and a 'pre-completion search with priority' in order to block any movements on the property until completion of the property transfer. *Agency: Land Registry*	Less than a day (online procedure), simultaneous with Procedure 3	GBP 3 if lodged electronically; GBP 7 if lodged in paper
5	**Complete and lodge a Land Transaction Return and pay the Stamp Duty Land Tax (SDLT) (available on-line)** The buyer's solicitor would usually prepare the Land Transaction Return for the approval of the buyer (as SDLT is a self-assessment tax) prior to completion. For every land transaction the purchaser must complete, sign and send the land transaction return to be received by HM Revenue & Customs before the end of 30 days following the effective date of the transaction. The return includes a self-assessment of the stamp duty land tax chargeable on the transaction returned. The completed Land Transaction Return must be sent by post to the Revenue's Rapid Data Capture center in Netherton (near Liverpool) or submitted electronically. When the Return is submitted, the correct amount of SDLT must also be paid either by cheque, through the CHAPS automated payment system or via direct bank transfer. Once the Return has been processed by the Revenue the Revenue will issue a Land Transaction Return Certificate. If the Return has been submitted electronically, the Certificate is typically received within two hours. If the Return has been submitted in the post, the Certificate is typically received within one month. The issue of a Land Transaction Return Certificate merely evidences that a Return has been filed at the Revenue; issuance of a Certificate does not necessarily mean that the information contained within the Return and/or amount of SDLT paid is correct. The Certificate must be sent to the Land Registry when an application for registration of the transfer is made. If the buyer acquires the property with financing, any legal charge created by it (if it is a company) must be registered at Companies House within 21 days of its creation, failing which the charge is void against a liquidator or another creditor of the company. *Agency: HM Revenue & Customs*	Less than a day (online procedure)	Up to GBP 150,000: 0% GBP 150,001 to GBP 250,000: 2% GBP 250,001+: 5% And GBP 13.

No.	Procedure	Time to complete	Cost to complete
6	**The transfer and any legal charges are registered at the Land Registry** The buyer's solicitor drafts a Transfer Deed and sends it to the seller's solicitor for approval. Once approved, it is signed by the parties. The Transfer deed makes the transfer of the property to the buyer effective on completion. Parties register the transfer deed (and any legal charges) at the Land Registry by submitting the appropriate documents and paying the Land Registry's fees. A cheque made payable to "Land Registry" must accompany the application for registration to the correct office of the Land Registry (unless there was a prior authorized agreement with the Registry to pay by direct debit) On completion of the registration the Land Registry will send to the buyer's solicitor a title information document. The documentation shall include: - Completed Land Registry form AP1 - Original and certified copy of transfer deed - Land transaction certificate - Original and certified copy mortgage if the buyer acquires the property with financing The law requires conveyancers, from 10 November 2008, when they submit an application to register the interest of their client in a property, to provide details of the conveyancers who acted for all other parties involved in the transaction. If any involved person (including a company) is not represented by a conveyancer, the person lodging the application must either confirm that they are satisfied that sufficient steps have been taken to verify the identity of the unrepresented person or otherwise lodge evidence of the unrepresented person's identity. If confirmation of identity is required for an application, but is not provided, the Land Registry will reject the application. Identification requirements extend to buyers, sellers, landlords, tenants, borrowers and lenders. Land registry information available at www.landregistry.gov.uk. *Agency: Land Registry*	Less than a day (online), 7 days (paper-based)	GBP 455

* Takes place simultaneously with another procedure.
Source: Doing Business database.
Note: Online procedures account for 0.5 days in the total time calculation.

REGISTERING PROPERTY

Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution and equal access to property rights indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2015 and June 2016, the economy receives a "no practice" mark on the procedures, time and cost indicators. A "no practice" economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in United Kingdom

	Answer	Score
Quality of the land administration index (0-30)		24.0
Reliability of infrastructure index (0-8)		8.0
What is the institution in charge of immovable property registration?	Her Majesty's Land Registry	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Fully digital	2.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	Yes	1.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	Yes	1.0
Transparency of information index (0–6)		5.0
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available–and if so, how?	Yes, online	0.5
Link for online access:	https://www.gov.uk/government/o	

	Answer	Score
	rganisations/land-registry	
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available–and if so, how?	Yes, online	0.5
Link for online access:	https://www.gov.uk/government/collections/fees-land-registry-guides	
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame–and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	Yes	1.0
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	Yes	0.5
Number of property transfers in the largest business city in 2015:	177,140	
Who is able to consult maps of land plots in the largest business city?	Anyone who pays the official fee	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	https://www.gov.uk/government/collections/fees-land-registry-guides	
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	Yes	0.5
Geographic coverage index (0–8)		4.0
Are all privately held land plots in the economy formally registered at	No	0.0

	Answer	Score
the immovable property registry?		
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0
Are all privately held land plots in the economy mapped?	Yes	2.0
Are all privately held land plots in the largest business city mapped?	Yes	2.0
Land dispute resolution index (0–8)		7.0
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	Yes	0.5
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar; Lawyer.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Lawyer.	
Is there a national database to verify the accuracy of identity documents?	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Land Registration division of the Property Chamber, First-tier Tribunal	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Less than a year	3.0
Are there any statistics on the number of land disputes in the first instance?	Yes	0.5
Number of land disputes in the largest business city in 2015:	795	
Equal access to property rights index (-2–0)		0.0
Do unmarried men and unmarried women have equal ownership rights	Yes	0.0

	Answer	Score
to property?		
Do married men and married women have equal ownership rights to property?	Yes	0.0

Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view and consider a potential borrower's financial history (positive or negative) when assessing risk and they allow borrowers to establish a good credit history that will facilitate their access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2017* report). These scenarios assume that the borrower:

Is a domestic limited liability company.

Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

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

Credit registry coverage (% of adults)

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

Has up to 50 employees.

Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

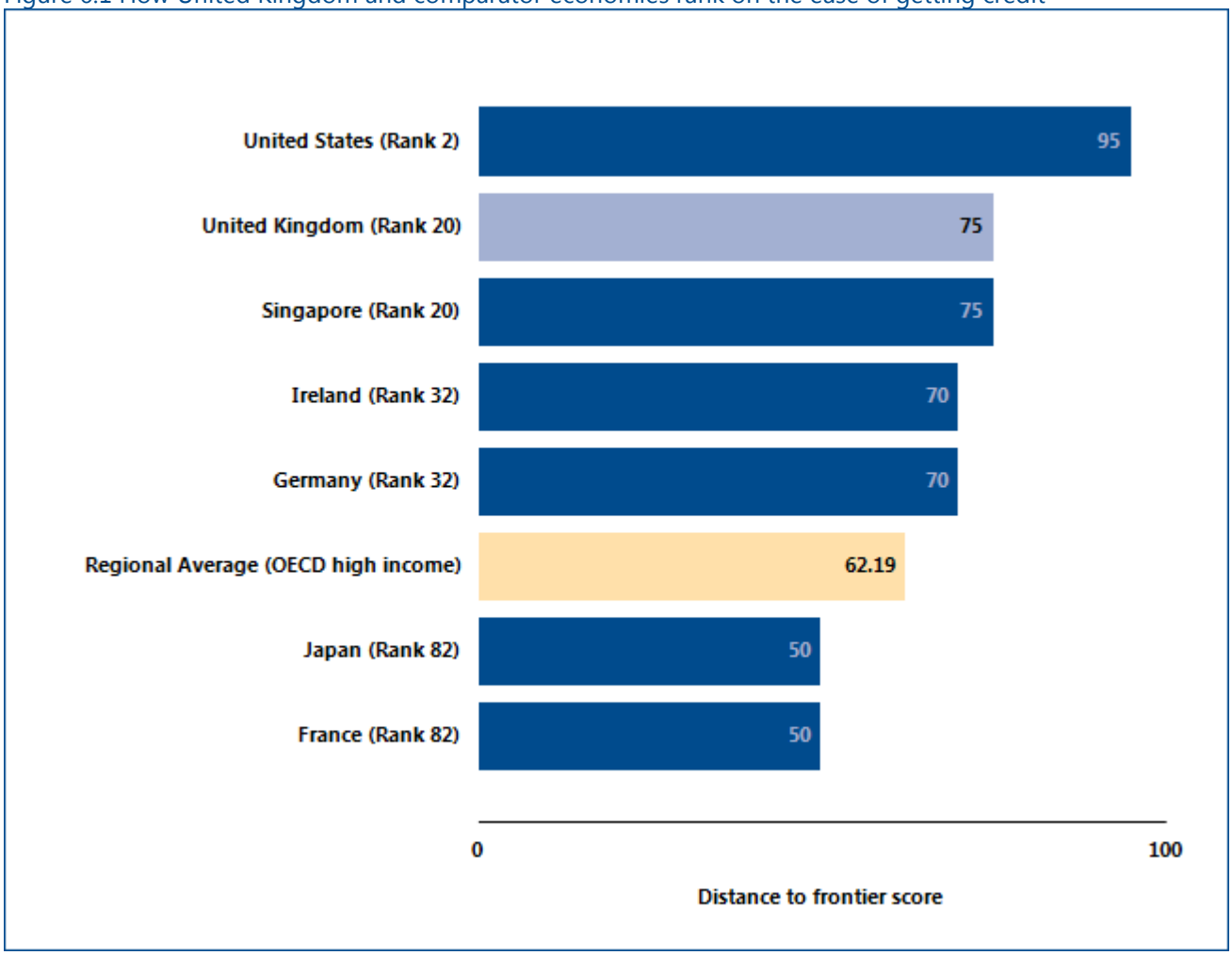
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in United Kingdom facilitate access to credit? The economy has a score of 8.0 on the depth of credit information index and a score of 7.0 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, United Kingdom stands at 20 in the ranking of 190 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide other useful information for assessing how well regulations and institutions in United Kingdom support lending and borrowing.

Figure 6.1 How United Kingdom and comparator economies rank on the ease of getting credit



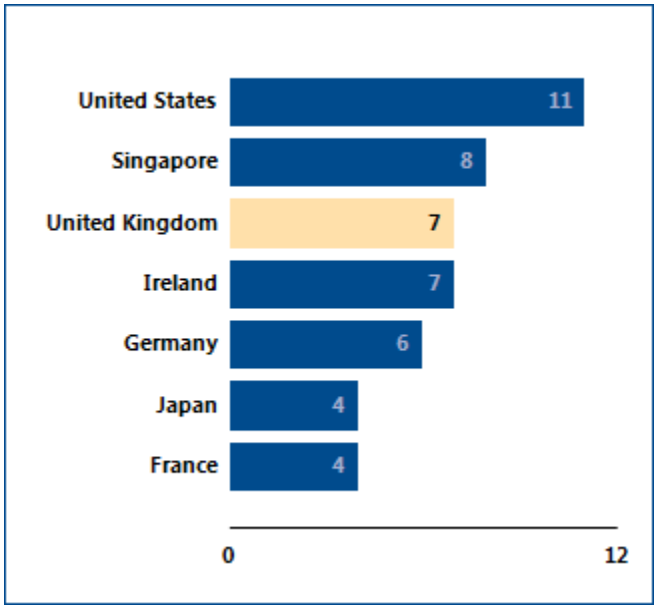
Source: Doing Business database.

GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for United Kingdom and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

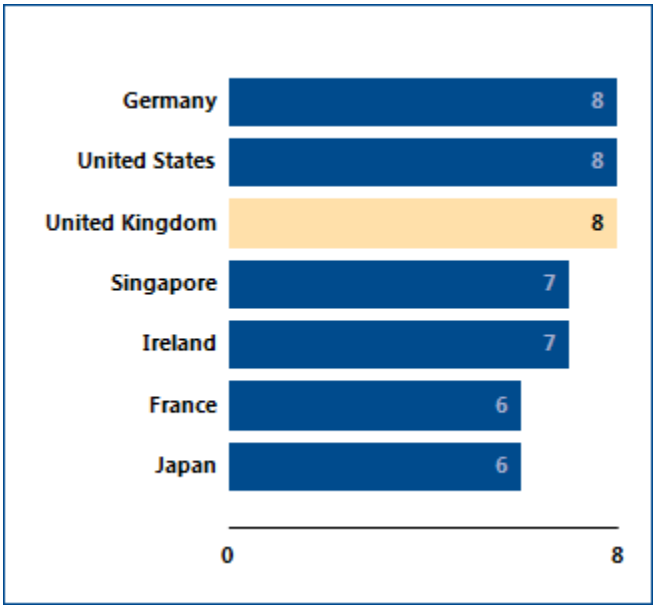
Economy scores on strength of legal rights index



Source: Doing Business database.
Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: Doing Business database.
Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for United Kingdom are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	**Index score: 7.0**
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	0
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	1
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	1
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	1
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	1
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	0
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	0
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	0
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	1
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	1
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	0
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	1

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 8.0
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	No	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	77,867,286	0
Number of firms	27,927,000	0
Total	105,794,286	0
Total percentage of adult population	100.0	0.0

Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

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

Extent of shareholder rights index (0-10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0-10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0-10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of minority investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

relating to corporate governance.

- Is a manufacturing company with its own distribution network.

The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

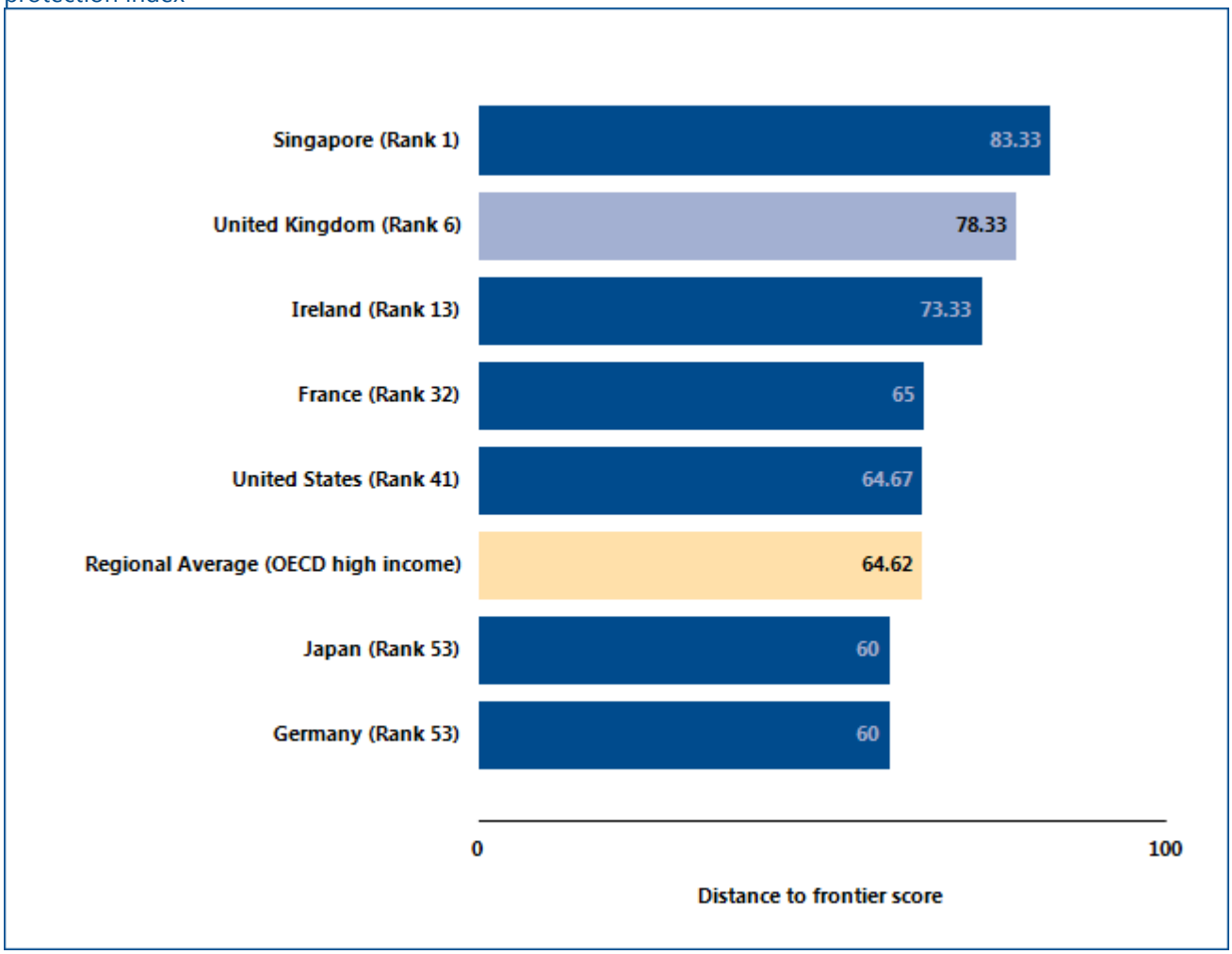
PROTECTING MINORITY INVESTORS

Where does the economy stand today?

How strong are minority investor protections against self-dealing in United Kingdom? The economy has a score of 7.8 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, United Kingdom stands at 6 in the ranking of 190 economies on the strength of minority investor protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How United Kingdom and comparator economies perform on the strength of minority investor protection index



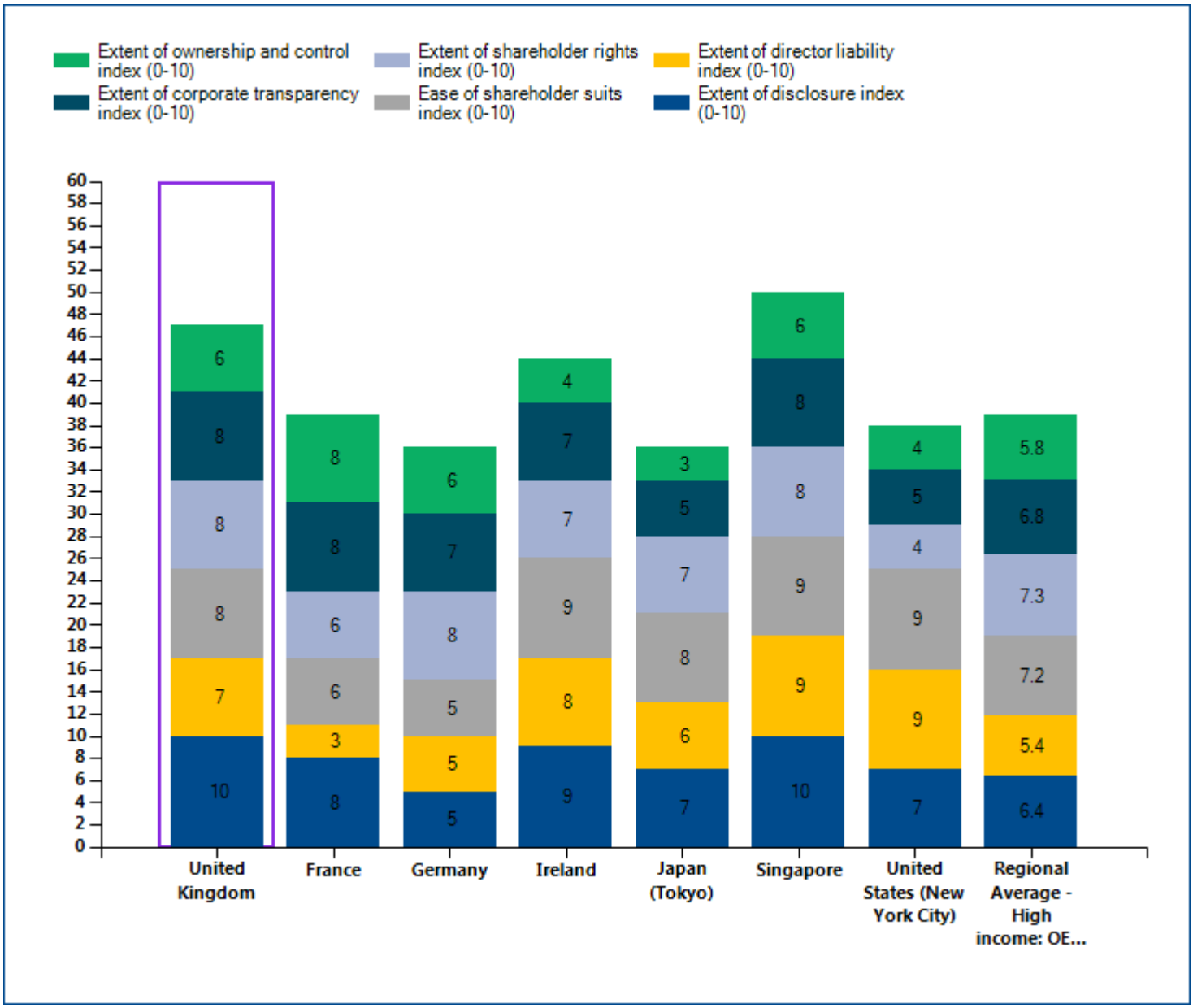
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for United Kingdom.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for United Kingdom and comparator economies.



Source: Doing Business database.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for United Kingdom are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2017* report). The summary below shows the details underlying the scores for United Kingdom.

Table 7.2 Summary of scoring for the protecting minority investors indicators in United Kingdom

	Answer	Score
Strength of minority investor protection index (0-10)		7.8
Extent of conflict of interest regulation index (0-10)		8.3
Extent of disclosure index (0-10)		10.0
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Full disclosure of all material facts	2.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0
Must an external body review the terms of the transaction before it takes place? (0-1)	Yes	1.0
Extent of director liability index (0-10)		7.0
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if unfair or prejudicial	2.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0
Is Mr. James disqualifed or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if negligently concluded	1.0
Ease of shareholder suits index (0-10)		8.0
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Documents that directly prove specific facts in the plaintiff's claim	2.0
Can the plaintiff request categories of documents from the	Yes	1.0

defendant without identifying specific ones? (0-1)		
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0
Extent of shareholder governance index (0-10)		7.3
Extent of shareholder rights index (0-10)		8.0
Does the sale of 51% of Buyer's assets require shareholder approval?	Yes	1.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for an extraordinary meeting of members?	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	No	0.0
Assuming that Buyer is a limited company, must a member first offer to sell his interest to the existing members before selling to a non-member?	Yes	1.0
Extent of ownership and control index (0-10)		6.0
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	No	0.0
Must the board of directors include independent and nonexecutive board members?	Yes	1.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0
Must Buyer pay dividends within a maximum period set by law after the declaration date?	No	0.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0
Assuming that Buyer is a limited company, is there a management deadlock breaking mechanism?	Yes	1.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Assuming that Buyer is a limited company, must Buyer	No	0.0

distribute profits within a maximum period set by law after the declaration date?		
Extent of corporate transparency index (0-10)		8.0
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0
Must Buyer disclose the compensation of individual managers?	Yes	1.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	No	0.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions and dealing with postfiling processes. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting for these processes to be completed. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments. time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate[1]. If both VAT (or GST) and corporate income tax apply, the postfiling index is the simple average of the distance to frontier scores for each of the four components: the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit. If only VAT (or GST) or corporate income tax If onapplies, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2015 (number per year adjusted for electronic and joint filing and payment)

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

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

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

Total tax rate (% of profit before all taxes)

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

Postfiling Index

- The time to comply with a VAT or GST refund
- The time to receive a VAT or GST refund
- The time to comply with a corporate income tax audit
- The time to complete a corporate income tax audit

[1] The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company. A range of standard deductions and exemptions are also recorded.

All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

TaxpayerCo is a medium-size business that started operations on January 1, 2014.

The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.

Taxes and mandatory contributions are measured at all levels of government.

Assumptions about the VAT refund process:

- In June 2015, TaxpayerCo. makes a large capital purchase: one additional machine for manufacturing pots.
- The value of the machine is 65 times income per capita of the economy.
- Sales are equally spread per month (that is, 1,050 times income per capita divided by 12).
- Cost of goods sold are equally expensed per month (that is, 875 times income per capita divided by 12).
- The seller of the machinery is registered for VAT or general sales tax (GST).
- Excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT or GST rate is the same for inputs, sales and the machine and the tax reporting period is every month.

Assumptions about the corporate income tax audit process:

- An error in the calculation of the income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and consequently an underpayment of corporate income tax.
- TaxpayerCo. discovered the error and voluntarily notified the tax authority of the error in the corporate income tax return.

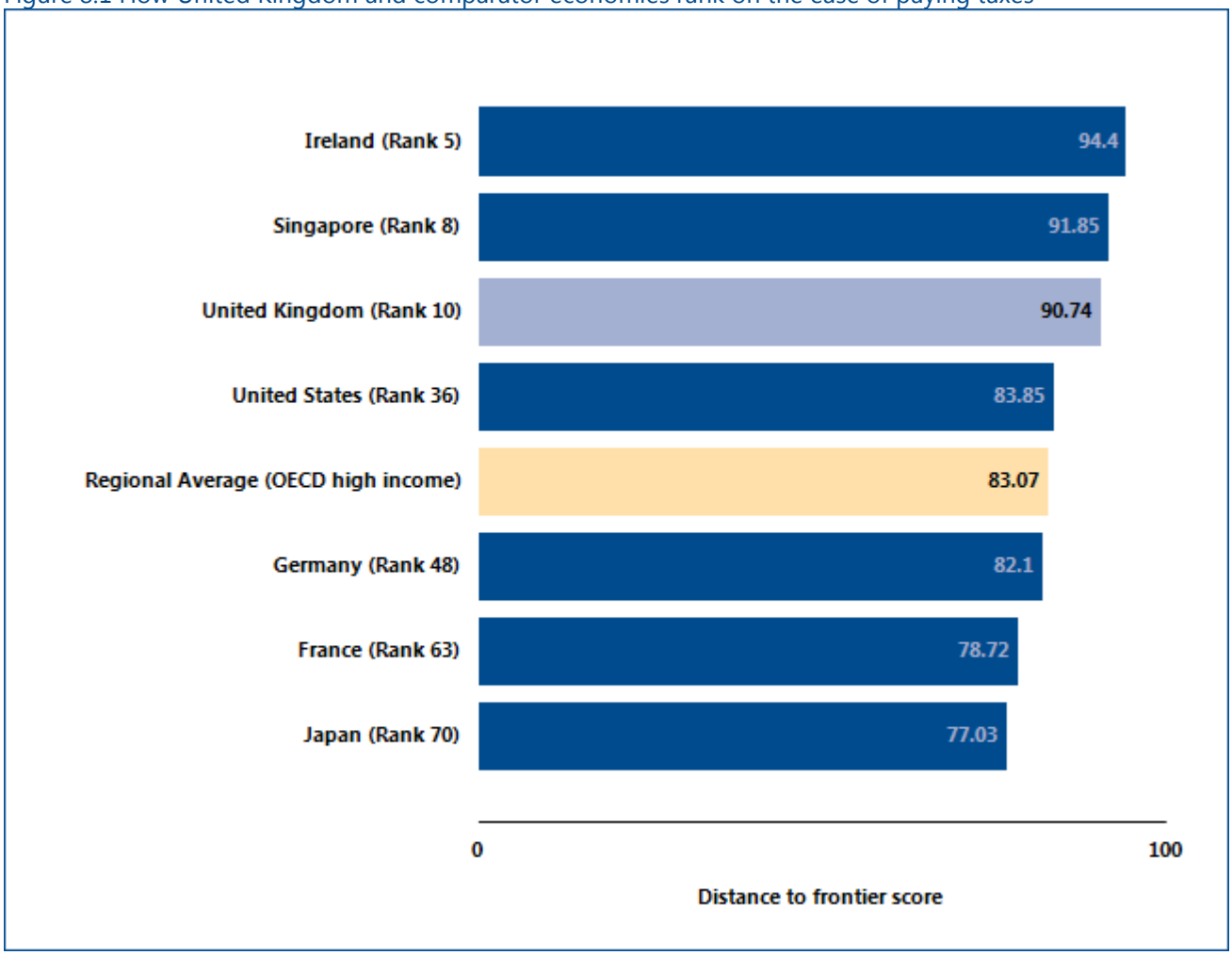
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with tax obligations and postfiling processes in United Kingdom—and how much do firms pay in taxes? Globally, United Kingdom stands at 10 in the ranking of 190 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in United Kingdom (see table 8.2 and table 8.3 the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

.

Figure 8.1 How United Kingdom and comparator economies rank on the ease of paying taxes



Source: Doing Business database.

PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in United Kingdom (table 8.1)?

Table 8.1 How has United Kingdom made paying taxes easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2013	The United Kingdom made paying taxes less costly for companies by reducing the corporate income tax rate.
DB2015	The United Kingdom made paying taxes less costly for companies by reducing the corporate income tax rate. On the other hand, it increased the landfill tax.
DB2016	The United Kingdom made paying taxes less costly for companies by reducing the corporate income tax rate and increasing the wage amount per employee that is exempted from social security contributions paid by employers. On the other hand, the United Kingdom increased municipal tax rates and environment taxes.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

PAYING TAXES

What are the details?

The indicators reported here for United Kingdom are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay, how these taxes are filed and paid, how much time taxpayers spend preparing, filing and paying three major taxes (profit taxes, labor taxes including mandatory contributions and consumption taxes) and how much time taxpayers spend complying with postfiling processes and waiting for these processes to be completed.

LOCATION OF STANDARDIZED COMPANY

City: London

The taxes and contributions paid are listed in table 8.2, along with the associated number of payments, time and tax rate.

The postfiling index is based on four components—the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit (table 8.3). These components are based on expanded case study assumptions. If only VAT (or GST) or corporate income tax applies for an economy, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Table 8.2 Summary of tax rates and administration

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online	37	20% - 21%	taxable profit	18.33	
Labor tax	1	online	48	13.8% (floor of GBP 153 per week)	gross salaries	10.95	
Municipal business tax	1			various	property value	1.30	
Environmental tax	1			GBP 78 per tonne	weight of active waste	0.14	
Tax on insurance contracts	1			6%	insurance premium	0.13	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Vehicle tax	1			various	depending on weight and size of vehicle	0.09	
Sales tax	1	online	25	20%	value added	0.00	not included
Fuel Tax	1				included in fuel price	0.00	
Labor tax paid by the employees	0			various rates	gross salaries	0.00	
Totals	8.0		110.0			30.9	

Source: Doing Business database.

Table 8.3 Summary of post filing data in United Kingdom

	Answer	Score
Postfiling index (0-100)		87.4
VAT refunds		97.0
Does VAT/GST exist?	Yes	
Frequency of VAT/GST refund submission	quarterly	
Does a VAT/GST refund process exist per the case study?	Yes	
Restrictions on VAT refund process	None	
Likelihood of VAT audit	Likely	
Time to comply with VAT refund (hours)	1.5	97.0
Time to obtain a VAT refund (weeks)	9.5	87.8
Corporate income tax audits		90.8
Does corporate income tax exist?	Yes	
Likelihood of corporate income tax audit	Likely	
Time to comply with a corporate income tax audit (hours)	6.5	90.8
Time to complete a corporate income tax audit (weeks)	8.3	74.1
Administrative appeal process		
First level administrative appeal authority	HMRC	
Is the appeal authority independent?	Independent department within tax office	

	Answer	Score
Are appeal guidelines accessible to the public?	Yes	
Source of appeal guidelines	online/in printed publication	
Is there a legal time limit for the appeal authority to issue a decision on the tax appeal?	No	
Legal time limit		

Source: Doing Business database.

Note:
The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.
N/A = Not applicable.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive use of paper documents, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as 22 × 24 = 528 hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance

- Obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy
- Obtaining, preparing and submitting documents required by destination economy and any transit economies
- Covers all documents required by law and in practice, including electronic submissions of information as well as non-shipment-specific documents necessary to complete the trade

Border compliance

- Customs clearance and inspections
- Inspections by other agencies (if applied to more than 10% of shipments)
- Port or border handling
- Processing of documents during clearance, inspections and port or border handling.

Domestic transport

- Loading and unloading of shipment at warehouse, dry port or border
- Transport by most widely used mode between warehouse and terminal or dry port
- Traffic delays and road police checks while shipment is en route

Cost

Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

- For each of the 190 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Special products, such as precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products, however, and the second largest product category is considered as needed.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- If government fees are determined by the value of the shipment, the value is assumed to be $50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

TRADING ACROSS BORDERS

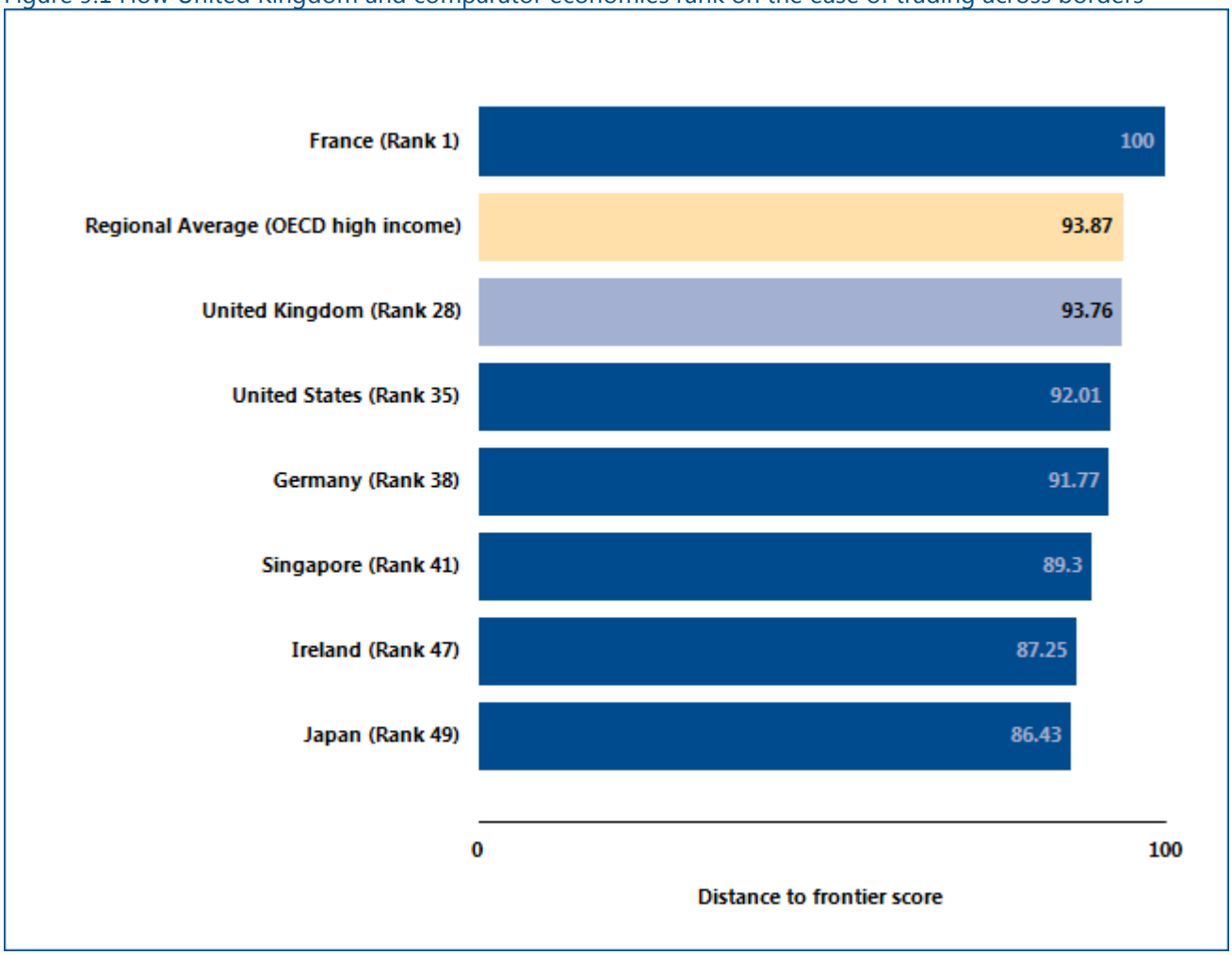
Where does the economy stand today?

The Trading across Borders indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy's main border crossing.

Globally, United Kingdom stands at 28 in the ranking of 190 economies on the ease of trading across borders (figure 9.1).

While not included in the distance to frontier or ease of doing business ranking, data on domestic transportation is also recorded for all economies and provided in Table 9.3.

Figure 9.1 How United Kingdom and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for United Kingdom are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea or land or some combination of these). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

LOCATION OF STANDARDIZED COMPANY

City: **London**

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary bellow, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in United Kingdom

	United Kingdom	OECD high income
Time to export: Border compliance (hours)	24	12
Cost to export: Border compliance (USD)	280	150
Time to export: Documentary compliance (hours)	4	3
Cost to export: Documentary compliance (USD)	25	36
Time to import: Border compliance (hours)	3	9
Cost to import: Border compliance (USD)	0	115
Time to import: Documentary compliance (hours)	2	4
Cost to import: Documentary compliance (USD)	0	26

Source: Doing Business database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in United Kingdom

	Export	Import
Product	HS 84 : Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	HS 8708: Parts and accessories of motor vehicles
Trade partner	United States	Germany
Border	Southampton port	Dover port
Distance (km)	130	130
Domestic transport time (hours)	5	5
Domestic transport cost (USD)	483	483

Source: Doing Business database.

Note: Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these

data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

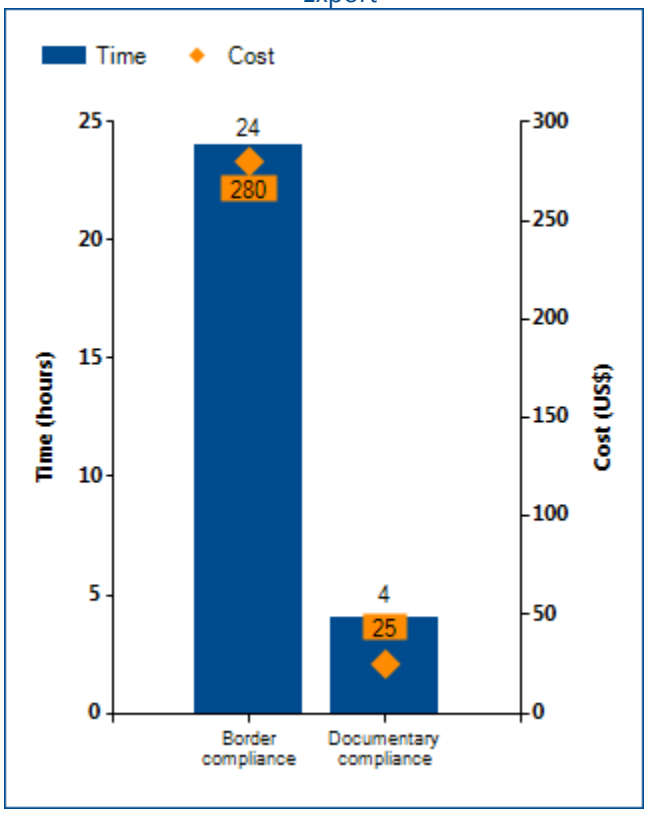
Documents to export
Bill of lading
Commercial invoice
Packing list
Customs Export Declaration

Documents to import
Bill of lading
Commercial invoice
Packing list
Intrastat

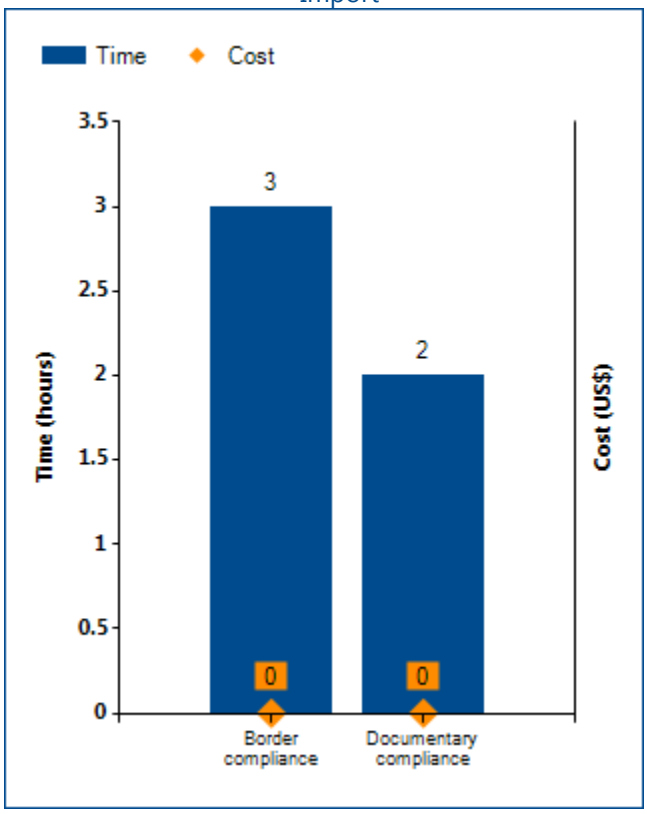
Source: Doing Business database.
Note: Doing Business continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

Figure 9.2 Summary of United Kingdom on the ease of trading across borders

Export



Import



Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, *Doing Business* measures the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or $5,000.
- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

Time required to enforce a contract through the courts (calendar days)

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

Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

Quality of judicial processes index (0-18)

- Court structure and proceedings (0-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

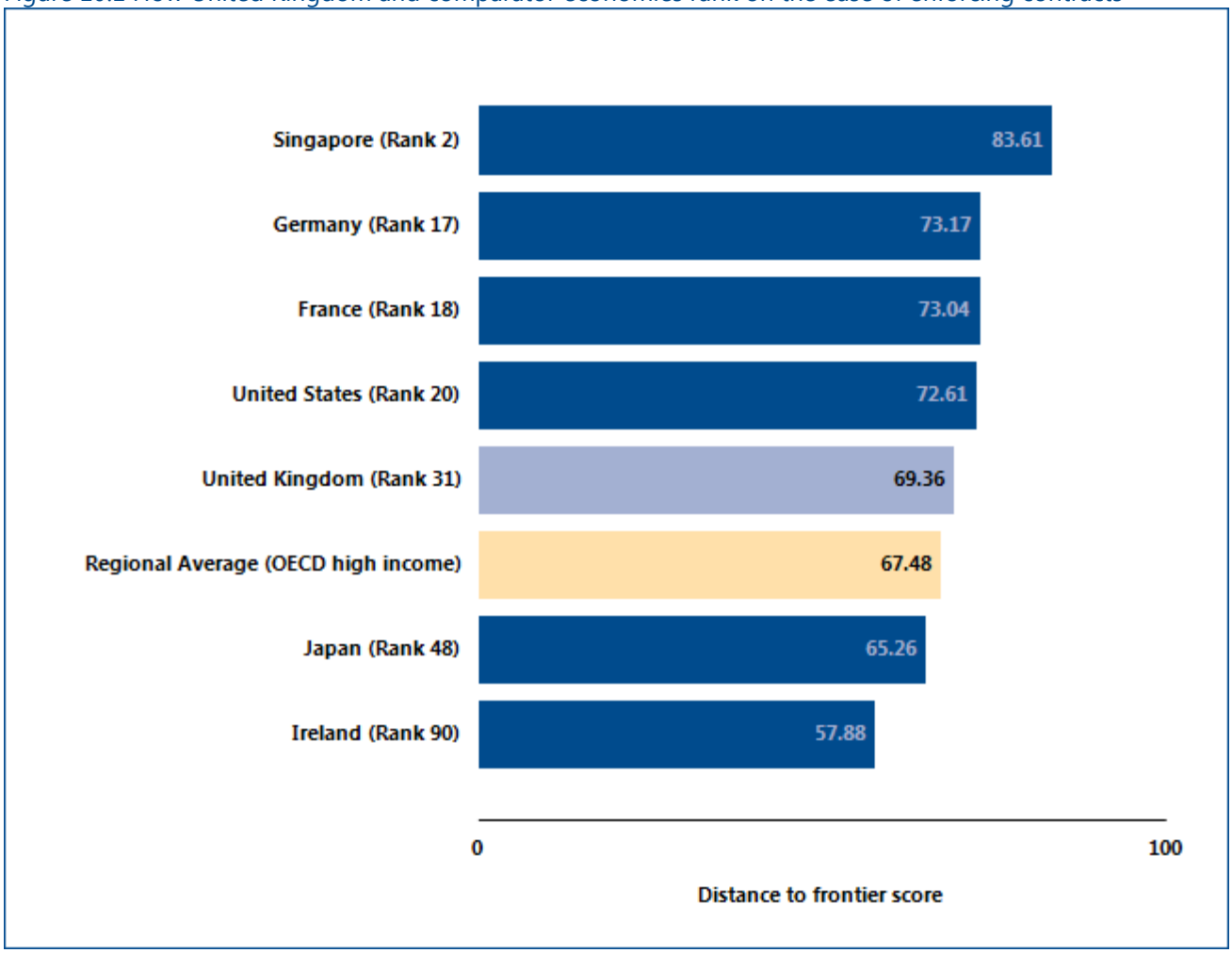
ENFORCING CONTRACTS

Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in United Kingdom? According to data collected by *Doing Business*, contract enforcement takes 437.0 days and costs 43.9% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Globally, United Kingdom stands at 31 in the ranking of 190 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average provide other useful benchmarks for assessing the efficiency of contract enforcement in United Kingdom.

Figure 10.1 How United Kingdom and comparator economies rank on the ease of enforcing contracts



Source: Doing Business database.

ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in United Kingdom (table 10.1)?

Table 10.1 How has United Kingdom made enforcing contracts easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2011	The United Kingdom improved the process for enforcing contracts by modernizing civil procedures in the commercial court.
DB2016	The United Kingdom made enforcing contracts more costly by increasing the court fees for filing a claim.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

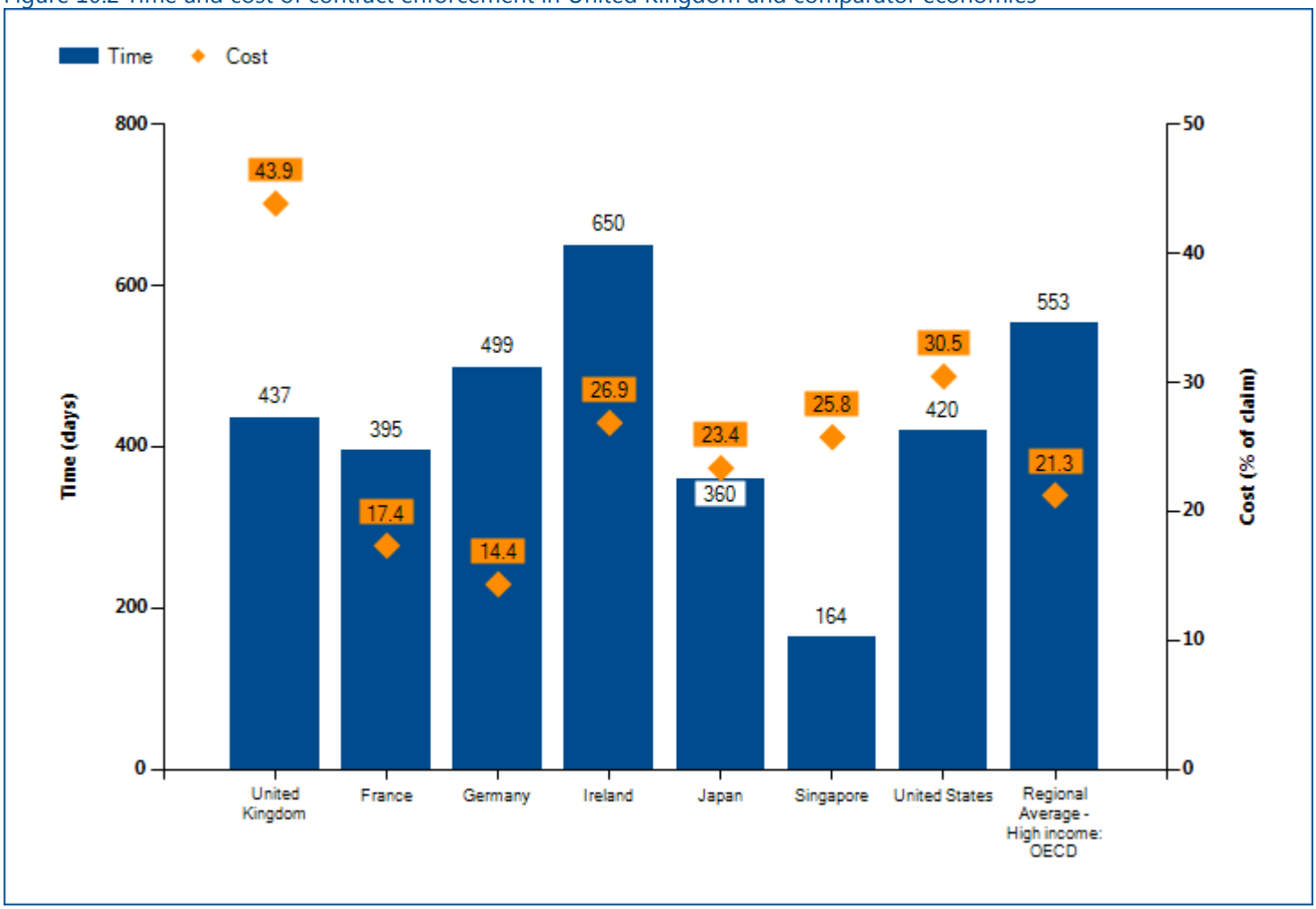
ENFORCING CONTRACTS

What are the details?

The data on time and cost reported here for United Kingdom are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

ECONOMY DETAILS	
Claim value:	**GBP 54,336**
Court name:	**County Court of England and Wales**
City:	**London**

Figure 10.2 Time and cost of contract enforcement in United Kingdom and comparator economies



Source: Doing Business database.

Table 10.2 Details on time and cost for enforcing contracts in United Kingdom

Indicator	United Kingdom	OECD high income average
Time (days)	437.0	553
Filing and service	30	33
Trial and judgment	345	412
Enforcement of judgment	62	119
Cost (% of claim)	43.9	21.3
Attorney fees	35.0	13
Court fees	7.7	4
Enforcement fees	1.2	3

Source: Doing Business database.

ENFORCING CONTRACTS

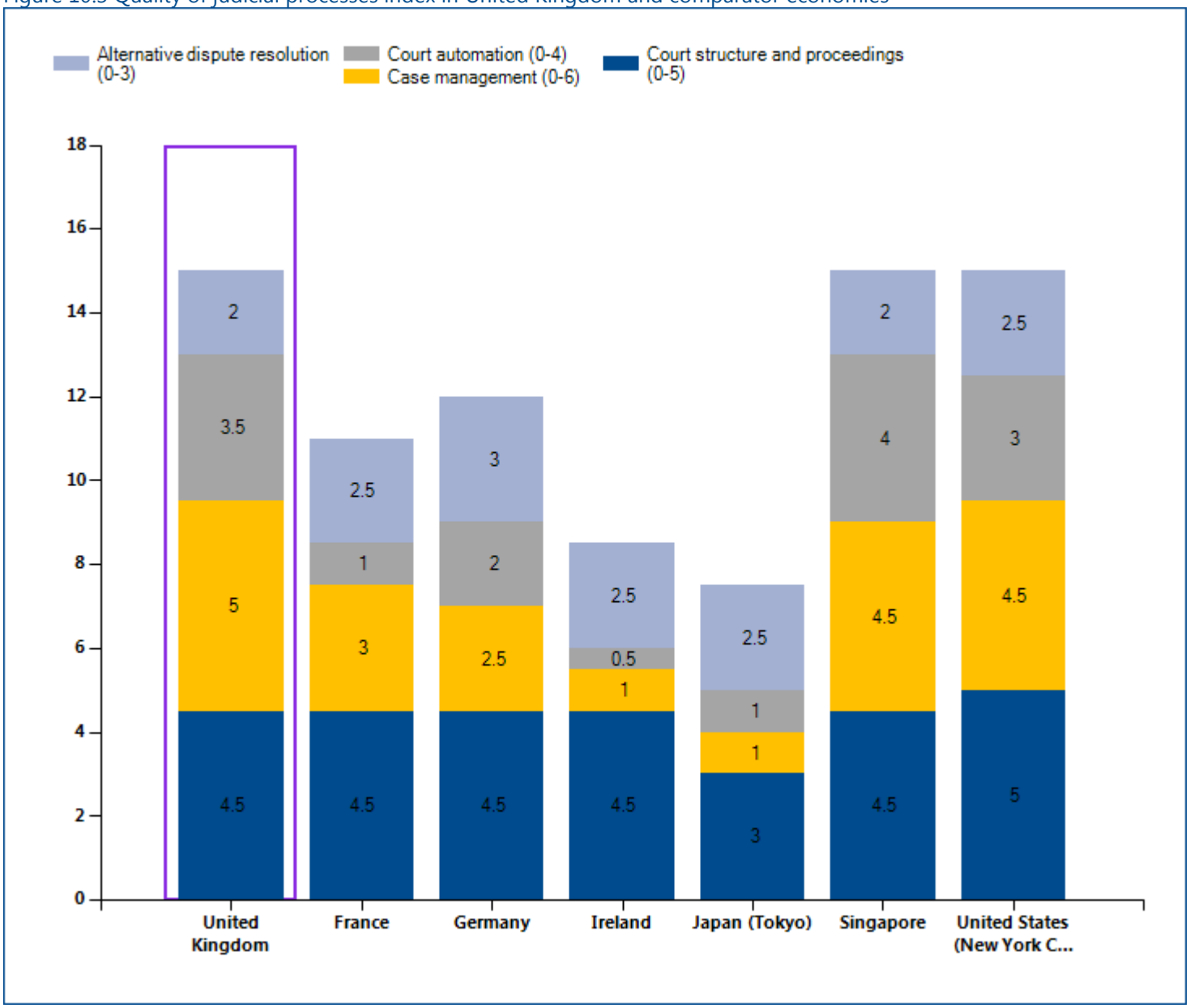
Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating more efficient judicial processes.

The scores reported here show which of these good practices are available in United Kingdom (figure 10.3).

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in United Kingdom and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in United Kingdom

	Answer	Score
Quality of judicial processes index (0-18)		15.0
Court structure and proceedings (0-5)		4.5
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5
2. Small claims court		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes	
2.b. If yes, is self-representation allowed?	Yes	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, but manual	0.5
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0
Case management (0-6)		5.0
1. Time standards		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes	
2. Adjournments		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	Yes	1.0
4. Is a pretrial conference among the case management techniques used before the competent court?	Yes	1.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	Yes	1.0

	Answer	Score
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	Yes	1.0
Court automation (0-4)		3.5
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	Yes	1.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	Yes	1.0
3. Can court fees be paid electronically within the competent court?	Yes	1.0
4. Publication of judgments		0.5
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	Yes	
Alternative dispute resolution (0-3)		2.0
1. Arbitration		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes	
2. Mediation/Conciliation		0.5
2.a. Is voluntary mediation or conciliation available?	Yes	
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	No	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No	

Source: Doing Business database.

RESOLVING INSOLVENCY

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

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

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

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

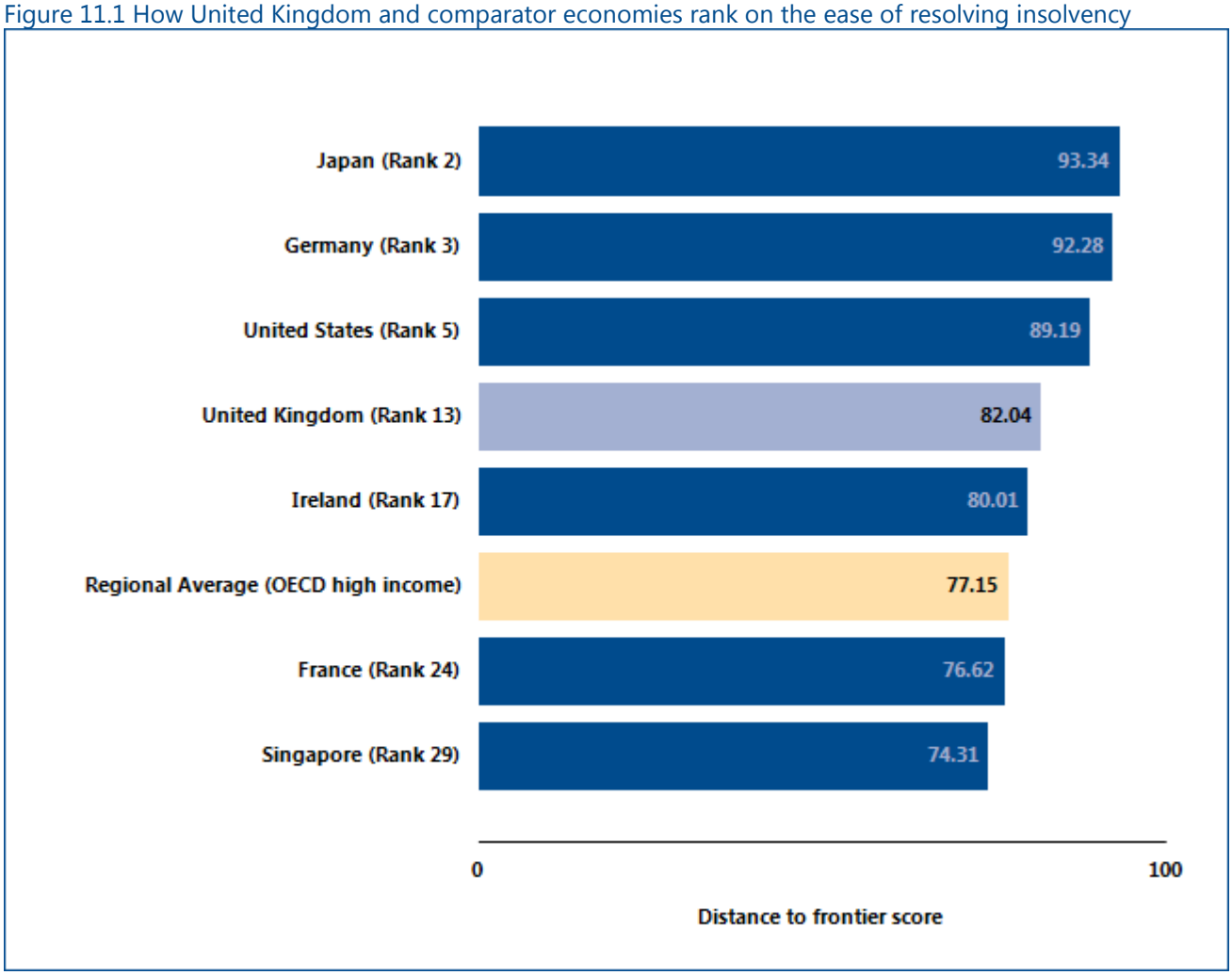
Creditor participation index (0-4)

RESOLVING INSOLVENCY

Where does the economy stand today?

Globally, United Kingdom stands at 13 in the ranking of 190 economies on the ease of resolving insolvency (figure 11.1). The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency framework index. The resolving insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

Figure 11.1 How United Kingdom and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

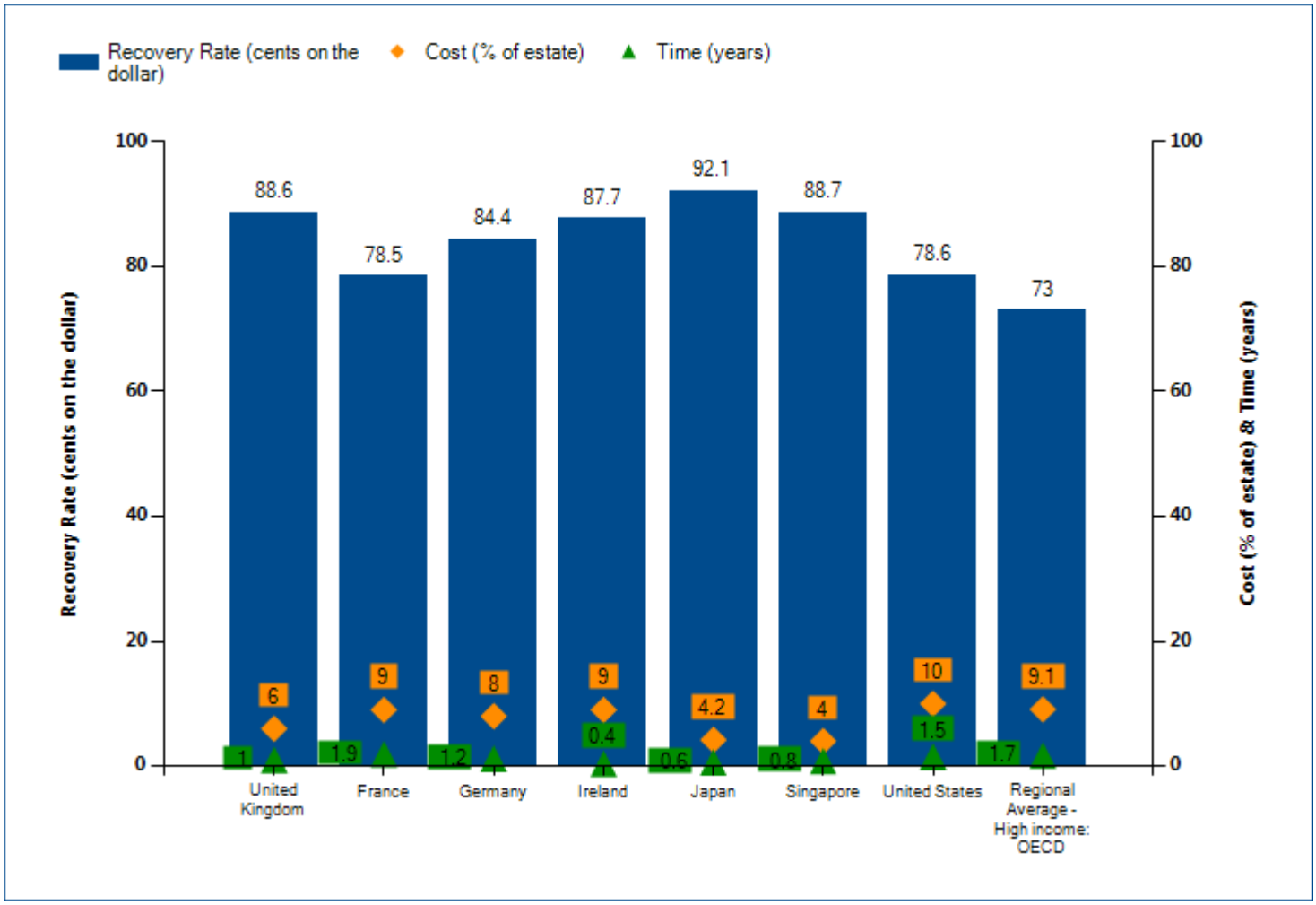
RESOLVING INSOLVENCY

Recovery of debt in insolvency

Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions.

According to data collected by *Doing Business*, resolving insolvency takes 1.0 years on average and costs 6.0% of the debtor's estate, with the most likely outcome being that the company will be sold as going concern. The average recovery rate is 88.6 cents on the dollar. Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in United Kingdom and comparator economies.



Source: Doing Business database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2015 lending rates.

Table 11.1 Details of data on efficiency of insolvency proceedings in United Kingdom

Indicator	Answer	Explanation
Proceeding	reorganization	BizBank will most likely apply for the administration procedure. The directors could file for administration or else BizBank could put the company into administration since it has a floating charge over substantially the whole of the company's property. Administration would be the most likely procedure to be chosen since it is a rescue procedure, designed to save all or part of the business. It would be more likely to preserve value for the creditors than a liquidation, where fire sales can depress the value of the company's property. An administrator's first objective is to rescue the company as a going concern, if possible. If this is not possible, his objective is to achieve a better result for the company's creditors as a whole than would be likely if the company were wound up, or failing that he must realize property to make a distribution to secured or preferential creditors.
Outcome	going concern	The administrator will be focused on achieving the best outcome for the creditors as a whole and in this case, this would be achieved by the sale of the business as a going concern. The administration moratorium provides protection for the company from various creditor enforcement actions: - enforcement of security- repossession of hire-purchase goods- forfeiture by landlords- commencement of legal proceedings against the company. This moratorium gives the company a breathing space in which to implement a solution to its financial difficulties. The administrator takes over from the directors in the management of the company and has broad powers to carry on the business of the company so that it can continue to operate as a going concern. He can enter into new contracts on behalf of the company and pay the expenses of the administration in priority to all other creditors (apart from fixed charge holders) so that the business can continue to operate. The hotel is likely to be sold as a going concern. The administrator may continue to trade the business from administration while seeking a purchaser.
Time (in years)	1.0	The administration procedure will take approximately one year. BizBank, the company's directors (probably with BizBank's approval), or (less likely in practice) the company acting on a majority resolution of its shareholders could apply for the company's administration. If BizBank puts the company into administration, it would give notice of intention to appoint administrators to any prior ranking qualifying floating charge holder (N.B. this can be dispensed with if BizBank is certain there are no such charge holders). 2 business days later, BizBank would file a notice of appointment of administrator (and various short accompanying documents) at court. The administrator's appointment takes effect from the moment of this filing. If the directors/company were to appoint the administrator, they would give notice of intention to appoint to BizBank. BizBank could either consent to the director/company's choice of administrator (probable since in practice the directors would probably consult BizBank on the choice of administrator) or appoint its own choice of administrator following the procedure above. Upon receiving Bizbank's consent, or after 5 business days if BizBank is silent and takes no action, the directors/company would file a notice of appointment and accompanying documents at court. The administrator's appointment takes effect from the

Indicator	Answer	Explanation
		moment of this filing. The administrator is obliged to advertise his appointment, to send notice of his appointment to all creditors of whom he is aware and to give his name and the fact of the administration on all business documents issued by the company or administrator and on any company website. The administrator would take control of the management of the company and continue to run the hotel whilst seeking a buyer for the business. The administrator's duty on any sale is to achieve fair market value at the time of the sale, although he is not obliged to wait to sell in case more favorable market conditions materialize. The administrator is not obliged to seek the creditors' consent before concluding a sale but he would likely discuss any potential sale with BizBank as the secured creditor who stands to recover its loan from the sale proceeds. Within the first 8 weeks, the administrator must send a statement of his proposals to all creditors and shareholders detailing, amongst other things, (a) how he envisages the purpose of administration will/has been achieved (in this case, sale of the business) and how the administration will be brought to an end; (b) a statement of the company's affairs; and (c) the basis upon which his remuneration will be fixed. The administrator must hold a creditors' meeting within the first 10 weeks to approve his proposals. This creditors' meeting is not required if the company has insufficient property to make a distribution to unsecured creditors (which may be the case here), although in this situation creditors with at least 10% of the total debts can order the administrator to summon a creditors' meeting if they wish. The administrator would also investigate the affairs of the company, in particular (a) directors' conduct to establish whether there are any grounds for a potential disqualification action; and (b) recent transactions to determine whether he should apply to court to challenge any as transactions at an undervalue, preferences or transactions defrauding creditors. The administrator would pay out BizBank after receiving the sale proceeds and deducting the expenses of the administration.
Cost (% of estate)	6.0	Major expenses include remuneration of the administrator (around 3%), auctioneer's fees (around 1% and possible premium) and attorneys' fees (around 2%).
Recovery rate: *88.6*		

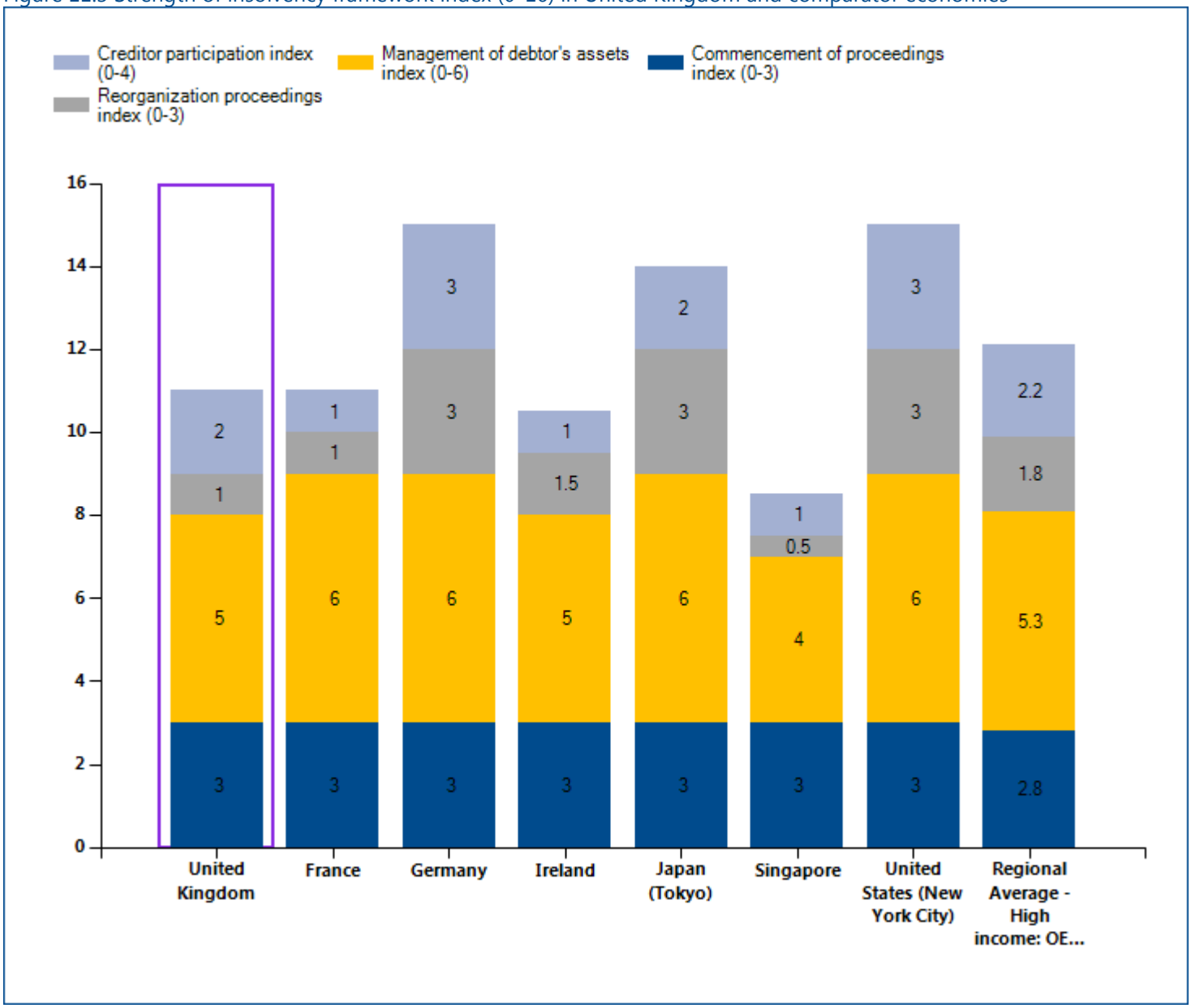
Source: Doing Business database.

RESOLVING INSOLVENCY

Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. United Kingdom's score on the strength of insolvency framework index is 11.0 out of 16. Data on provisions applicable to judicial liquidation and reorganization is based on the current law governing insolvency proceedings in each economy.

Figure 11.3 Strength of insolvency framework index (0-16) in United Kingdom and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.2 Summary of data for the strength of insolvency framework index in United Kingdom

	Answer	Score
Strength of insolvency framework index (0-16)		11.0
Commencement of proceedings index (0-3)		3.0
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(a) Debtor may file for both liquidation and reorganization	1.0
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(a) Yes, a creditor may file for both liquidation and reorganization	1.0
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(c) Both (a) and (b) options are available, but only one of them needs to be complied with	1.0
Management of debtor's assets index (0-6)		5.0
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	Yes	1.0
Does the insolvency framework assign priority to post-commencement credit?	(b) Yes over ordinary unsecured creditors but not over secured creditors	1.0
Reorganization proceedings index (0-3)		1.0
Which creditors vote on the proposed reorganization plan?	(b) Only creditors whose rights are affected by the proposed plan	1.0

	Answer	Score
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
Are the creditors devided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0
Creditor participation index (0-4)		2.0
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0

Source: Doing Business database.

RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in United Kingdom (table 11.3)?

Table 11.3 How has United Kingdom made resolving insolvency easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2011	Amendments to the United Kingdom's insolvency rules streamline bankruptcy procedures, favor the sale of the firm as a whole and improve the calculation of administrators' fees.

Source: Doing Business database.
Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at http://www.doingbusiness.org.

LABOR MARKET REGULATION

Doing Business studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. Doing Business also measures several aspects of job quality such as the availability of maternity leave, paid sick leave and the equal treatment of men and women at the workplace.

Doing Business 2017 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (http://www.doingbusiness.org). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor market regulation in the past 5 years did so in ways that increased labor market flexibility. What changes did United Kingdom adopt that affected the *Doing Business* indicators on labor market regulation (table 12.1)?

Table 12.1 What changes did United Kingdom make in terms of labor market regulation?

DB year	Reform
DB2012	United Kingdom increased the severance payment obligation applicable in cases of redundancy dismissals.
DB2013	The United Kingdom increased redundancy costs of the severance pay applicable in cases of redundancy dismissals.
DB2014	United Kingdom increased the cap on weekly wage provided to employees on the severance payment and the minimum wage.

Source: Doing Business database.

LABOR MARKET REGULATION

What are the details?

The data reported here for United Kingdom are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; and (iv) the ratio of the minimum wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population).

Hiring	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	No limit, but employees who have worked successive fixed term contracts for a period of four years or more will become permament employees unless the employer can objectively justify the continued use of a fixed term arrangements.
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage applicable to the worker assumed in the case study (US$/month)	1417.4
Ratio of minimum wage to value added per worker	0.3

Source: Doing Business database.

LABOR MARKET REGULATION

Working hours

Data on working hours cover nine areas: i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether nonpregnant and nonnursing women can work the same night hours as men*; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	Data
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0
Premium for overtime work (% of hourly pay)	0.0
Restrictions on night work?	No
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	No
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	28.0
Paid annual leave for a worker with 5 years of tenure (working days)	28.0
Paid annual leave for a worker with 10 years of tenure (working days)	28.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	28.0

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v) whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Redundancy rules	Data
Maximum length of probationary period (months)	6.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	No
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	No
Third-party approval if nine workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	1.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	5.0
Notice period for redundancy dismissal for a worker with 10 years of tenure	10.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	5.3
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	3.5
Severance pay for redundancy dismissal for a worker with 10 years of tenure	8.5
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.0

Source: Doing Business database.

LABOR MARKET REGULATION

Job quality

Doing Business introduced new data on job quality in 2015. *Doing Business* 2017 covers eight questions on job quality (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring; (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of paid maternity leave (in calendar days); (v) whether employees on maternity leave receive 100% of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) whether a worker is eligible for an unemployment protection scheme after one year of service; and (viii) the minimum duration of the contribution period (in months) required for unemployment protection.

.

Job Quality	Data
Equal remuneration for work of equal value?	Yes
Gender nondiscrimination in hiring?	Yes
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	14.0
Receive 100% of wages on maternity leave?	No
Five fully paid days of sick leave a year?	No
Unemployment protection after one year of employment?	Yes
Minimum contribution period for unemployment protection (months)?	0.0

Source: Doing Business database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each *Doing Business* indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 41 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, New Zealand has the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 111 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2017* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 41 component indicators y (except for the total tax rate) is rescaled using the linear transformation (worst − y)/(worst − frontier). In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate (figure 14.1 in the *Doing Business 2017* report).

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*[2]. Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components[3].

An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2017 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 of the *Doing Business 2017* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 of the *Doing Business 2017* report).

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

[2] See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

[3] For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. http://esa.un.org/unpd/wup/CD-ROM/Default.aspx.

Economies that improved the most across 3 or more *Doing Business* topics in 2015/16

Doing Business 2017 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2015/16 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Twenty-nine economies meet this criterion: Algeria; Azerbaijan; Bahrain; Belarus; Brazil; Brunei Darussalam; Burkina Faso; Côte d'Ivoire; Georgia; India; Indonesia; Kazakhstan; Kenya; Madagascar; Mali; Mauritania; Morocco; Niger; Pakistan; Poland; Senegal; Serbia; Singapore; Thailand; Togo; Uganda; the United Arab Emirates; Uzbekistan and Vanuatu. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

RESOURCES ON THE *DOING BUSINESS* WEBSITE

Current features
News on the *Doing Business* project
http://www.doingbusiness.org

Rankings
How economies rank—from 1 to 190
http://www.doingbusiness.org/rankings

Data
All the data for 190 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
http://www.doingbusiness.org/data

Reports
Access to *Doing Business* reports as well as subnational and regional reports, case studies and customized economy and regional profiles
http://www.doingbusiness.org/reports

Methodology
The methodologies and research papers underlying *Doing Business*
http://www.doingbusiness.org/methodology

Research
Abstracts of papers on *Doing Business* topics and related policy issues
http://www.doingbusiness.org/research

***Doing Business* reforms**
Short summaries of DB2017 business regulation reforms and lists of reforms since DB2008
http://www.doingbusiness.org/reforms

Historical data
Customized data sets since DB2004
http://www.doingbusiness.org/custom-query

Law library
Online collection of business laws and regulations relating to business
http://www.doingbusiness.org/law-library

Contributors
More than 12,500 specialists in 190 economies who participate in *Doing Business*
http://www.doingbusiness.org/contributors/doing-business

Entrepreneurship data
Data on business density (number of newly registered companies per 1,000 working-age people) for 136 economies
http://www.doingbusiness.org/data/exploretopics/entrepreneurship

Distance to frontier
Data benchmarking 190 economies to the frontier in regulatory practice and a distance to frontier calculator
http://www.doingbusiness.org/data/distance-to-frontier

Information on good practices
Showing where the many good practices identified by *Doing Business* have been adopted
http://www.doingbusiness.org/data/good-practice

Doing Business 2017 is the 14th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

ISBN 978-1-4648-0948-4

90000

9 780821 399842

SKU 210948

WORLD BANK GROUP

www.doingbusiness.org