

# Doing Business 2011

São Tomé and Príncipe

**Making  
a Difference for  
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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# Contents

Introduction  
and Aggregate Rankings

5 - Year Measure of  
Cumulative Change

Starting a Business

Dealing with  
Construction Permits

Registering Property

Getting Credit

Protecting Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Closing a Business

Doing Business 2011  
Business Reforms

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

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

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

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

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

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

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

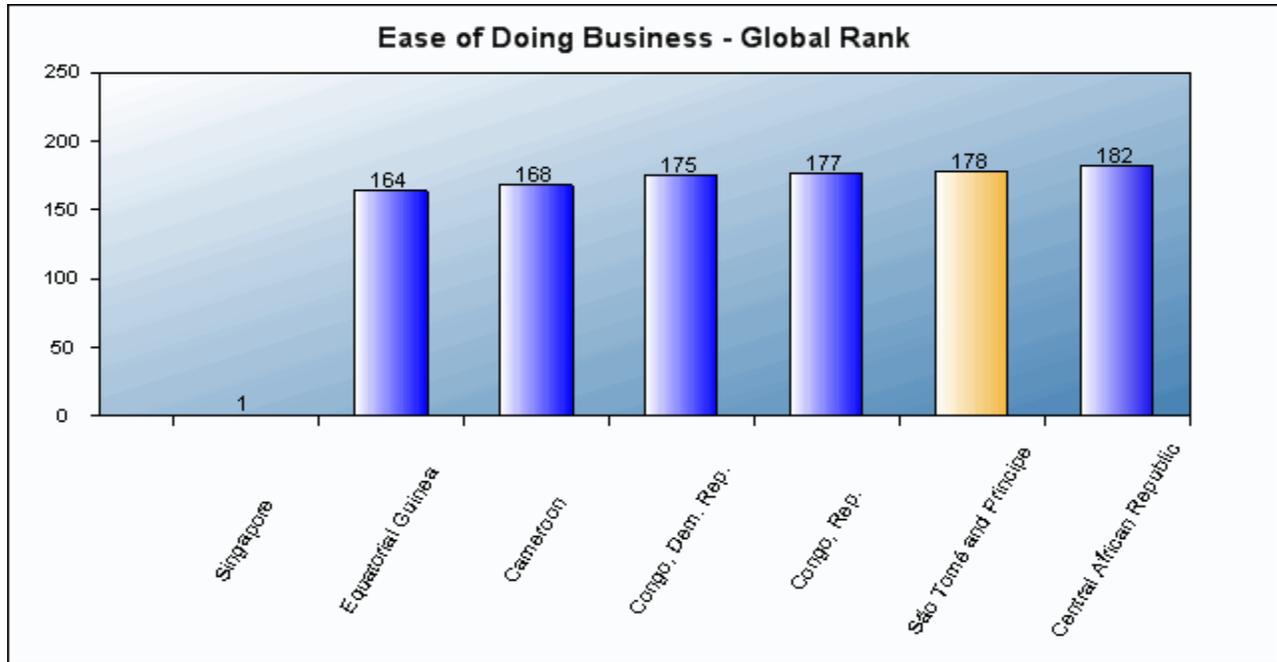
\* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

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

## Economy Rankings - Ease of Doing Business

São Tomé and Príncipe is ranked 178 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

**São Tomé and Príncipe - Compared to global good practice economy as well as selected economies:**



### São Tomé and Príncipe's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	178
Starting a Business	177
Dealing with Construction Permits	113
Registering Property	161
Getting Credit	176
Protecting Investors	154
Paying Taxes	135
Trading Across Borders	92
Enforcing Contracts	179
Closing a Business	183

## Summary of Indicators - São Tomé and Príncipe

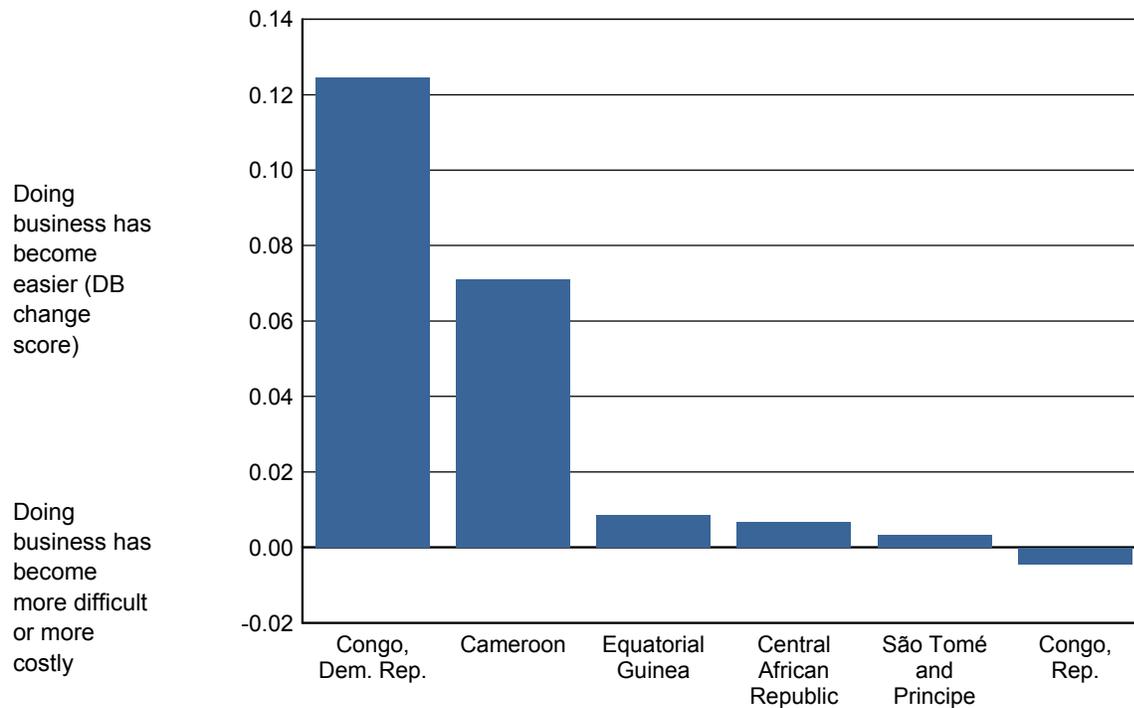
<b>Starting a Business</b>	Procedures (number)	10
	Time (days)	144
	Cost (% of income per capita)	77.3
	Min. capital (% of income per capita)	385.7
<b>Dealing with Construction Permits</b>	Procedures (number)	13
	Time (days)	255
	Cost (% of income per capita)	565.1
<b>Registering Property</b>	Procedures (number)	7
	Time (days)	62
	Cost (% of property value)	10.9
<b>Getting Credit</b>	Strength of legal rights index (0-10)	2
	Depth of credit information index (0-6)	0
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	0.0
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	3
	Extent of director liability index (0-10)	1
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	3.3
<b>Paying Taxes</b>	Payments (number per year)	42
	Time (hours per year)	424
	Profit tax (%)	21.9
	Labor tax and contributions (%)	6.8
	Other taxes (%)	4.6
	Total tax rate (% profit)	33.3
<b>Trading Across Borders</b>	Documents to export (number)	8
	Time to export (days)	27
	Cost to export (US\$ per container)	690
	Documents to import (number)	8
	Time to import (days)	29
	Cost to import (US\$ per container)	577

<b>Enforcing Contracts</b>	Procedures (number)	43
	Time (days)	1185
	Cost (% of claim)	50.5
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	0.0
	Time (years)	no practice
	Cost (% of estate)	no practice

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

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

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



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

### Some reform outcomes

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

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

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

### What does Starting a Business measure?

#### Procedures to legally start and operate a company (number)

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

#### Time required to complete each procedure (calendar days)

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

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

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

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

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

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



### Case Study Assumptions

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

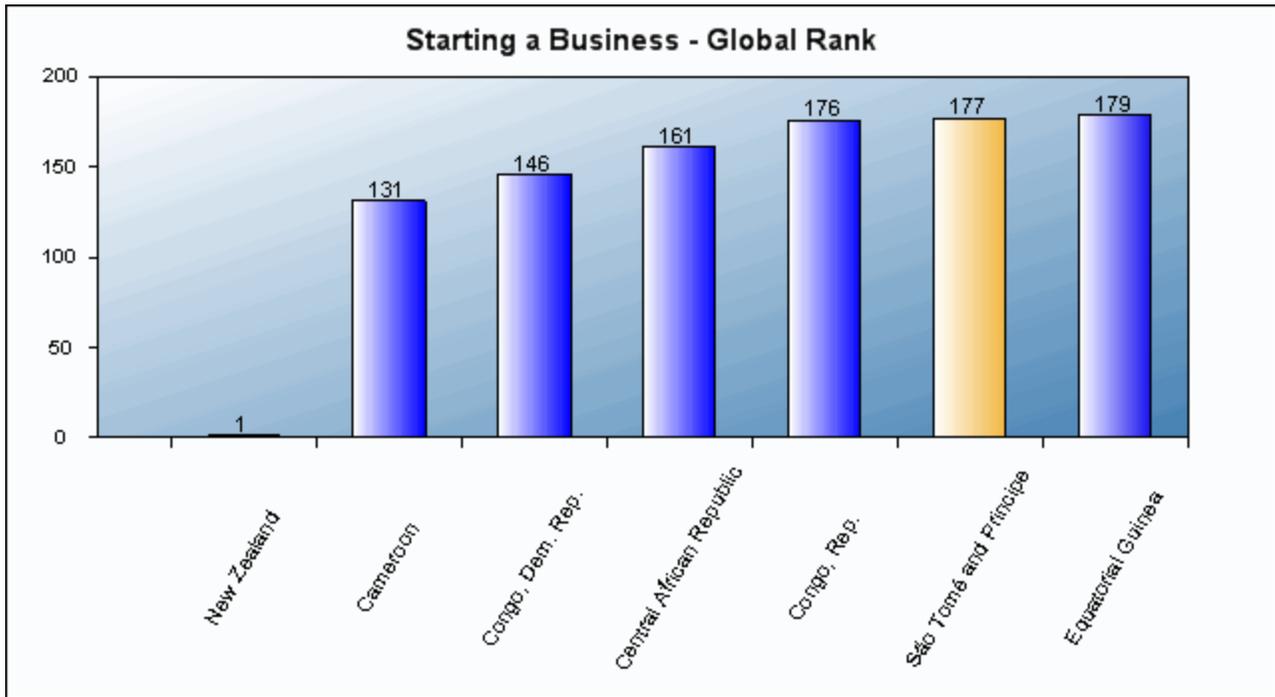
#### The business:

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

## 1. Benchmarking Starting a Business Regulations:

São Tomé and Príncipe is ranked 177 overall for Starting a Business.

Ranking of São Tomé and Príncipe in Starting a Business - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>				
<b>São Tomé and Príncipe</b>	<b>10</b>	<b>144</b>	<b>77.3</b>	<b>385.7</b>

<i>Comparator Economies</i>				
<b>Cameroon</b>	6	19	51.2	191.8
<b>Central African Republic</b>	8	22	228.4	468.6
<b>Congo, Dem. Rep.</b>	10	84	735.1	0.0
<b>Congo, Rep.</b>	10	160	111.4	129.8
<b>Equatorial Guinea</b>	20	136	104.3	21.3

\* The following economies are also good practice economies for :

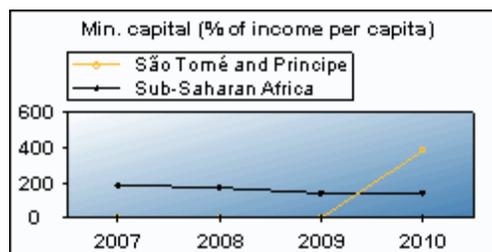
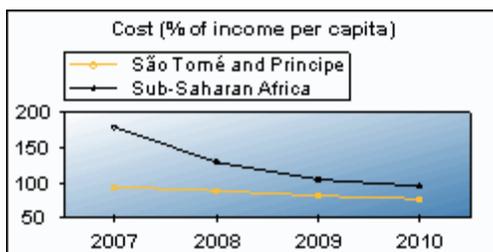
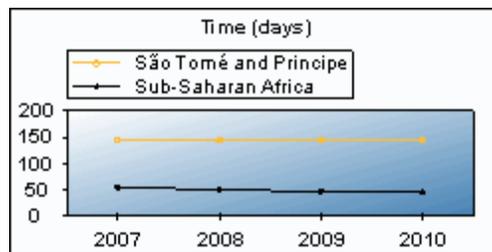
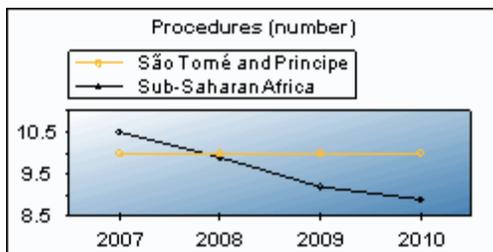
**Procedures (number): Canada**

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

## 2. Historical data: Starting a Business in São Tomé and Príncipe

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	140	177
Procedures (number)	10	10	10	10
Time (days)	144	144	144	144
Cost (% of income per capita)	94.5	88.9	81.7	77.3
Min. capital (% of income per capita)	0.0	0.0	0.0	385.7

3. The following graphs illustrate the Starting a Business sub indicators in São Tomé and Príncipe over the past 4 years:



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



This table summarizes the procedures and costs associated with setting up a business in São Tomé and Príncipe.

### STANDARDIZED COMPANY

Legal Form: Private Limited Company

City: São Tomé

### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the uniqueness of the proposed company name and reserve a name	8	USD 1
2	Notarize the company statutes	19	USD 285
3	Deposit minimum capital in a bank and obtain deposit evidence	1	no charge
4	Apply for advertising of the incorporation notice in the official gazette (Diário da República)	45	no charge
5	Advertising of the incorporation notice in a national newspaper	11	USD 207
6	Register the company with the Commercial Registry	60	USD 171
7	* Apply for commercial operations permit (alvará)	15	USD 207
8	* Apply for tax payer identification number	1	USD 10

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9	* Register employer and employees with the social security	1	no charge
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10	* Obtain and legalize the special company books	1	no charge
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\* Takes place simultaneously with another procedure.

## Starting a Business Details - São Tomé and Príncipe

### Procedure 1 Check the uniqueness of the proposed company name and reserve a name

**Time to complete:** 8

**Cost to complete:** USD 1

**Comment:** According to Article 27 of the Commercial Code of 1888, “the name that each company uses must be completely different from names used by the companies already registered in the same jurisdiction.”

### Procedure 2 Notarize the company statutes

**Time to complete:** 19

**Cost to complete:** USD 285

**Comment:** As a rule, the fee to notarize company statutes is about 2.5% of the share capital. According to Article 113 of the Commercial Code, “the articles of association must be in writing. Limited liability companies can only be established through a public deed.” First, the company requests and schedules the notarization of the company statutes. Second, the actual public deed of the company statutes is prepared, handwritten in the notary book. Third, the notary issues five copies of the public deed for (1) publication at the Official Gazette; (2) the operations permit; (3) the tax office; (4) the Commercial Registry; and (5) the company’s records. Procedures 4, 7, 8, 9, and 10 can be started as soon as Procedure 2 is complete.

### Procedure 3 Deposit minimum capital in a bank and obtain deposit evidence

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** While no minimum share capital requirement exists for a private limited company, notary publics have refused to incorporate companies if they believe, at their sole discretion, that the capital allocated by the shareholders or quota holders is insufficient for the company’s proposed activities. In practice, the minimum share capital for the incorporation of this type of company is equivalent to USD 850. According to Article 162, No. 3, of the Commercial Code, “a company can only be established if the following is met: the shareholders have paid 10% in cash of the initial capital and that amount is deposited in a bank account in the company’s name.”

### Procedure 4 Apply for advertising of the incorporation notice in the official gazette (Diário da República)

**Time to complete:** 45

**Cost to complete:** no charge

**Comment:** According to Article 193 of the Commercial Code, “as soon as a company is established, an incorporation notice should be published.” And according to Article 145 of the same code, the notice is to be published in “the Official Gazette and in one of the most popular newspapers.” The main section of the Official Gazette is published 14 times a year. However, the incorporation notices are published in a supplementary section, which it is not published as often. Given the shortage of materials and high printing costs, the supplementary section is published at random and

only upon having received several incorporation notices. So, this procedure can take from a month to a year. Recently, the Official Gazette has been published more often. In 2005, 32 issues were published.

#### **Procedure 5 Advertising of the incorporation notice in a national newspaper**

**Time to complete:** 11

**Cost to complete:** USD 207

**Comment:** The fee to advertise an incorporation notice in a national newspaper depends of the number of pages of the company's bylaws. Several companies do not comply with this procedure. Indeed, before early 2005 no national newspaper existed in São Tomé, so the requirement could not be enforced. However, as noted in Article 145 of the Commercial Code, the procedure is mandatory.

#### **Procedure 6 Register the company with the Commercial Registry**

**Time to complete:** 60

**Cost to complete:** USD 171

**Comment:** The fee to register the company with the Commercial Registry depends on the amount of share capital. According to Article 49, No. 5, of the Commercial Code, “the following must be registered at the Commercial Registry: the documents for establishing a company.” The company must present a copy of the published statutes (from the Official Gazette and the national newspaper) and a copy of the notarized statutes. The registry will then make a handwritten record of the company in the Commercial Registry book.

#### **Procedure 7 Apply for commercial operations permit (alvará)**

**Time to complete:** 15

**Cost to complete:** USD 207

**Comment:** According to Decree 7/2004 (of June 30, 2004), which establishes the general rules of commerce, “all companies or persons that want to engage in commerce must obtain an authorization from the Ministry of Commerce” (Article 7). All companies require an operations permit. For each activity, a relevant ministry issues the permit; for example, the Minister of Commerce will sign a permit issued by the Directorate of Commerce (Ministry of Commerce) for a company performing commercial activities.

#### **Procedure 8 Apply for tax payer identification number**

**Time to complete:** 1

**Cost to complete:** USD 10

**Comment:** The promoters must register for a company tax identification number as established in Decree-Law No. 12/93 (dated March 5, 1993).

#### **Procedure 9 Register employer and employees with the social security**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Employers must register employees with the relevant social security authorities within 30 days of tax registration.

#### **Procedure 10 Obtain and legalize the special company books**

**Time to complete:** 1

**Cost to complete:** no charge

**Comment:** Companies must obtain and legalize mandatory books. Some books (i.e., the general assembly and the board of directors' books) must be initialized by the court of first instance. As stated in Article 32 of the Commercial Code, “the accounting books should be presented to the president judge at the court of the company’s jurisdiction, so that the court officers can number and sign each of the pages, and prepare the opening and closing pages.”

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

### Some reform outcomes

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

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

### What does the Dealing with Construction Permits indicator measure?

#### Procedures to legally build a warehouse (number)

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

#### Time required to complete each procedure (calendar days)

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

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

- Official costs only, no bribes

### Case Study Assumptions

#### The business:

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

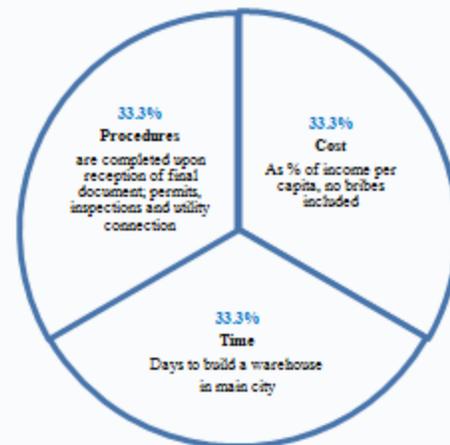
#### The warehouse:

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

### Dealing with Construction Permits:

#### Building a warehouse

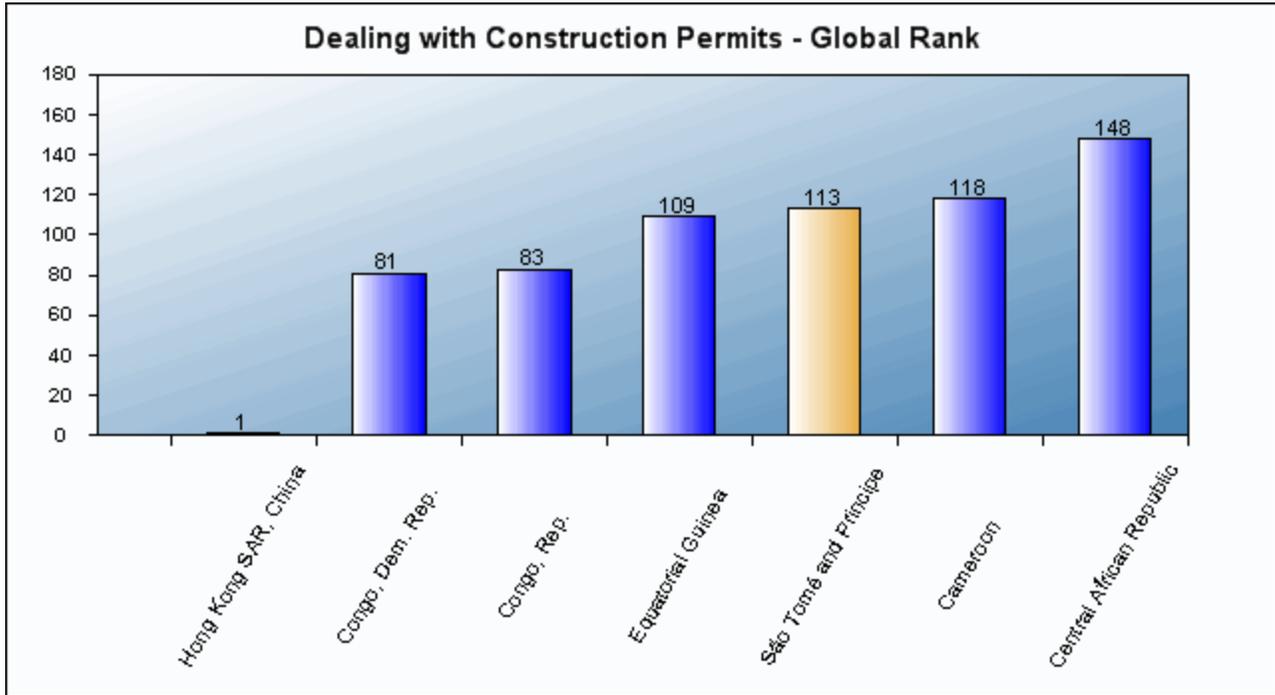
Rankings are based on 3 subindicators



## 1. Benchmarking Dealing with Construction Permits Regulations:

São Tomé and Príncipe is ranked 113 overall for Dealing with Construction Permits.

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



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

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

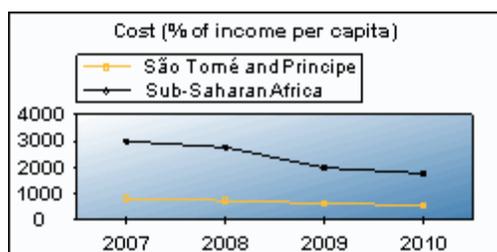
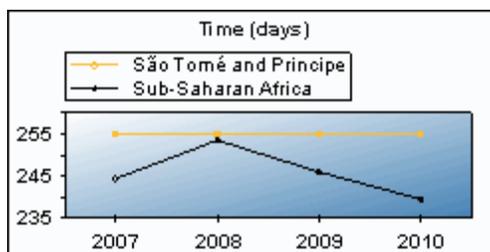
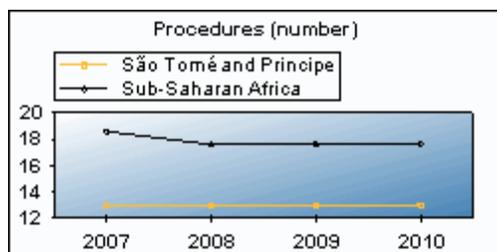
<i>Selected Economy</i>			
<b>São Tomé and Príncipe</b>	<b>13</b>	<b>255</b>	<b>565.1</b>

<i>Comparator Economies</i>			
<b>Cameroon</b>	14	213	1235.8
<b>Central African Republic</b>	21	239	259.5
<b>Congo, Dem. Rep.</b>	14	128	2692.2
<b>Congo, Rep.</b>	17	169	241.1
<b>Equatorial Guinea</b>	18	201	220.7

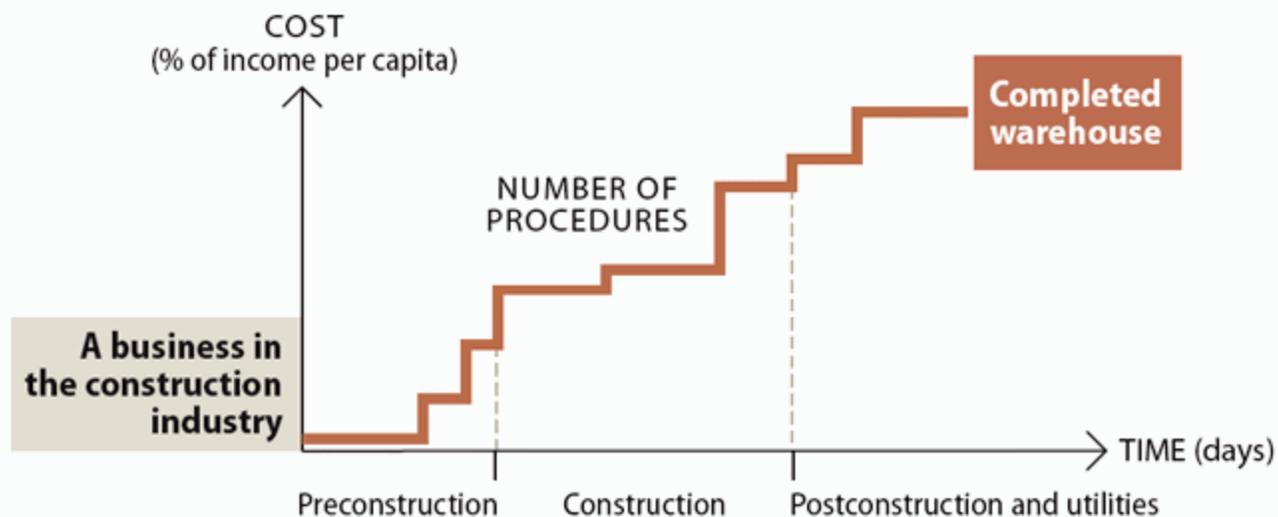
## 2. Historical data: Dealing with Construction Permits in São Tomé and Príncipe

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	115	113
Procedures (number)	13	13	13	13
Time (days)	255	255	255	255
Cost (% of income per capita)	825.9	740.5	631.4	565.1

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in São Tomé and Príncipe over the past 4 years:



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



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

### BUILDING A WAREHOUSE

City: São Tomé

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain approval of construction from the Directorate of Urbanism and Public Constructions	50 days	USD 4
2	Request and obtain location map from Geographic Services	5 days	USD 4
3	Request and obtain certification of route measuring from Geographic Services	5 days	USD 10
4	Request and obtain construction authorization from Geographic Services	15 days	USD 75
5	Request and obtain project approval from the Directorate of Urbanism and Public Construction	21 days	USD 60
6	Random inspection I	1 day	no charge
7	Random inspection II	1 day	no charge
8	Request water and electricity connection	1 day	USD 80

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9	Receive inspection for water and electricity	38 days	USD 28
10	Connect to water and electricity services	70 days	no charge
11	Request and connect to phone services	5 days	USD 30
12	Request and receive final inspection from the Directorate of Urbanism and Public Construction	13 days	USD 292
13	Register building in Real Estate Registry	30 days	USD 5,860

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## Dealing with Construction Permits Details - São Tomé and Príncipe

### Procedure 1 Request and obtain approval of construction from the Directorate of Urbanism and Public Constructions

**Time to complete:** 50 days

**Cost to complete:** USD 4

**Agency:** Directorate of Urbanism and Public Constructions

**Comment:**

### Procedure 2 Request and obtain location map from Geographic Services

**Time to complete:** 5 days

**Cost to complete:** USD 4

**Agency:** Geographic Services

**Comment:**

### Procedure 3 Request and obtain certification of route measuring from Geographic Services

**Time to complete:** 5 days

**Cost to complete:** USD 10

**Agency:** Geographic Services

**Comment:**

### Procedure 4 Request and obtain construction authorization from Geographic Services

**Time to complete:** 15 days

**Cost to complete:** USD 75

**Agency:** Geographic Services

**Comment:** Geographic Services of the Cadastre measures the terrain and verifies whether the project is feasible on that particular plot of land.

### Procedure 5 Request and obtain project approval from the Directorate of Urbanism and Public Construction

**Time to complete:** 21 days

**Cost to complete:** USD 60

**Agency:** Geographic Services

**Comment:** The Engineering Association is part of the Directorate of Urbanism and Public Construction. Approval from the Engineering Association is thus also requested and obtained at this point.

#### **Procedure 6 Random inspection I**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Directorate of Urbanism and Public Constructions

**Comment:**

#### **Procedure 7 Random inspection II**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Agency:** Directorate of Urbanism and Public Constructions

**Comment:**

#### **Procedure 8 Request water and electricity connection**

**Time to complete:** 1 day

**Cost to complete:** USD 80

**Agency:** Empresa de Agua e Electricidade (EMAE)

**Comment:** The time line can vary, depending on the availability of utility networks in the vicinity of the construction site. Utility networks are not available everywhere in the country. In most nonresidential areas, for example, obtaining water or electricity connections is time consuming. Investors thus opt for developing their own water supply and sewage system, and use a generator for electricity.

Empresa de Agua e Electricidade (EMAE) is the local provider of electricity and water.

#### **Procedure 9 Receive inspection for water and electricity**

**Time to complete:** 38 days

**Cost to complete:** USD 28

**Agency:** Empresa de Agua e Electricidade (EMAE)

**Comment:**

#### **Procedure 10 Connect to water and electricity services**

**Time to complete:** 70 days

**Cost to complete:** no charge  
**Agency:** Empresa de Agua e Electricidade (EMAE)  
**Comment:**

**Procedure 11 Request and connect to phone services**

**Time to complete:** 5 days  
**Cost to complete:** USD 30  
**Agency:** Companhia Santomense de Telecomunicacoes SARL  
**Comment:**

**Procedure 12 Request and receive final inspection from the Directorate of Urbanism and Public Construction**

**Time to complete:** 13 days  
**Cost to complete:** USD 292  
**Agency:** Directorate of Urbanism and Public Constructions  
**Comment:**

**Procedure 13 Register building in Real Estate Registry**

**Time to complete:** 30 days  
**Cost to complete:** USD 5,860  
**Agency:** Real Estate Registry  
**Comment:** The cost is 1% of the warehouse value.

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

### Some reform outcomes

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

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

### What does the Registering Property indicator measure?

**Registering Property:** transfer of property between 2 local companies

Rankings are based on 3 subindicators

### Procedures to legally transfer title on immovable property (number)

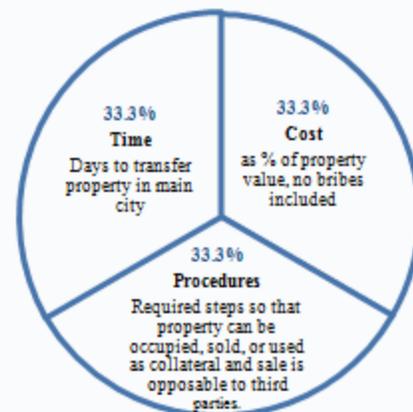
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

### Time required to complete each procedure (calendar days)

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

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

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



### Case Study Assumptions

#### The parties (buyer and seller):

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

#### The property (fully owned by the seller):

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

## 1. Benchmarking Registering Property Regulations:

São Tomé and Príncipe is ranked 161 overall for Registering Property.

Ranking of São Tomé and Príncipe in Registering Property - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>			
<b>São Tomé and Príncipe</b>	<b>7</b>	<b>62</b>	<b>10.9</b>

<i>Comparator Economies</i>			
<b>Cameroon</b>	5	93	19.3
<b>Central African Republic</b>	5	75	18.5
<b>Congo, Dem. Rep.</b>	6	54	7.0
<b>Congo, Rep.</b>	6	55	10.7
<b>Equatorial Guinea</b>	6	23	6.3

\* The following economies are also good practice economies for :

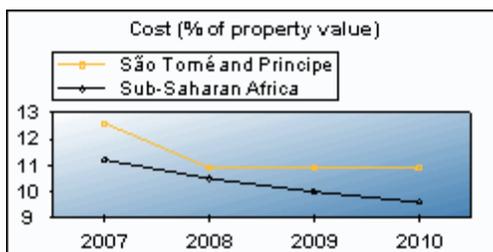
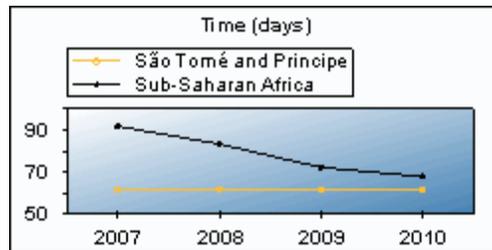
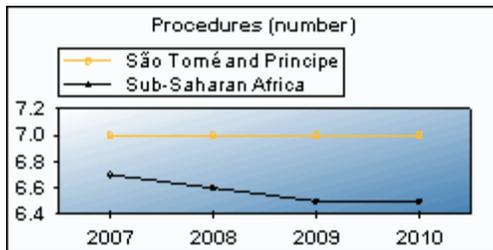
**Procedures (number): United Arab Emirates**

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

## 2. Historical data: Registering Property in São Tomé and Príncipe

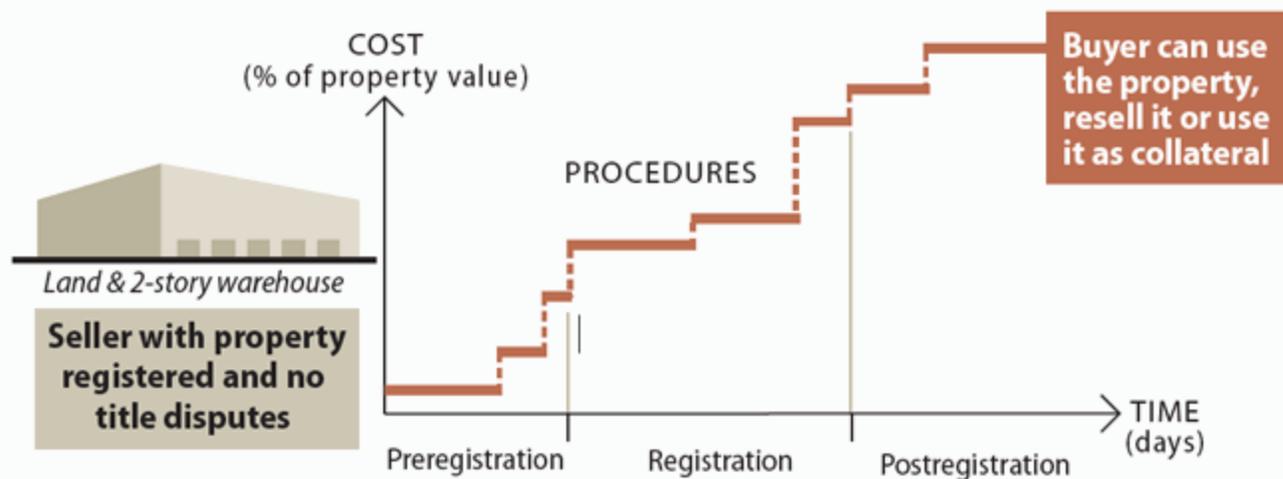
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	158	161
Procedures (number)	7	7	7	7
Time (days)	62	62	62	62
Cost (% of property value)	12.6	10.9	10.9	10.9

3. The following graphs illustrate the Registering Property sub indicators in São Tomé and Príncipe over the past 4 years:



## Registering Property in São Tomé and Príncipe

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



This topic examines the steps, time, and cost involved in registering property in São Tomé and Príncipe.

#### STANDARDIZED PROPERTY

Property Value: 972,359,209.25

City: São Tomé

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1 *	Obtain an updated ownership certificate at the Property Registry (Registo Predial)	10 days (simultaneous with procedure 2)	STD 50,000
2 *	Obtain a copy of the incorporation documents at the Commercial Registry Agency	2 days (simultaneous with procedure 1)	STD 10,000
3	Tax Authority prepares assessment of property transfer tax (Sisa)	21 days (minimum 10 days to 1 month)	included in next procedure
4	Pay Sisa at the Central Bank	included in previous procedure	10% of property value
5	Obtain proof of payment from tax authority	included in procedure 3	included in previous procedure
6	A public notary prepares and notarizes the sale purchase agreement	10 days	STD 200,000 + STD 1,500 (stamp duty)
7	Apply for registration at the Registo Predial	21 days	0.83% of property value (Registration fee)

\* Takes place simultaneously with another procedure.

## Registering Property Details - São Tomé and Príncipe

<b>Procedure</b>	<b>1</b>	<b>Obtain an updated ownership certificate at the Property Registry (Registo Predial)</b>
<b>Time to complete:</b>	10 days (simultaneous with procedure 2)	
<b>Cost to complete:</b>	STD 50,000	
<b>Agency:</b>	Property Registry (Registo Predial)	
<b>Comment:</b>	The seller must obtain an updated ownership certificate at the Registo Predial (Property Registry). This document includes all useful information regarding the property.	
<b>Procedure</b>	<b>2</b>	<b>Obtain a copy of the incorporation documents at the Commercial Registry Agency</b>
<b>Time to complete:</b>	2 days (simultaneous with procedure 1)	
<b>Cost to complete:</b>	STD 10,000	
<b>Agency:</b>	Commercial Registry Agency (Registo Commercial)	
<b>Comment:</b>	A registered copy of the incorporation documents is obtained at the Registo commercial (Commercial Registry Agency) in order to prove the legitimacy of the buyer (a company).	
<b>Procedure</b>	<b>3</b>	<b>Tax Authority prepares assessment of property transfer tax (Sisa)</b>
<b>Time to complete:</b>	21 days (minimum 10 days to 1 month)	
<b>Cost to complete:</b>	included in next procedure	
<b>Agency:</b>	Tax Authority (Direção das Finanças)	
<b>Comment:</b>	The Conveyance (Sisa) Tax must be filed at the Direcção das Finanças (Tax Authority). An assessment by official municipal employees is required to certify the property value settled by the parties. Based on this assessment the tax employees inform the investor by phone about the amount due in tax	
<b>Procedure</b>	<b>4</b>	<b>Pay Sisa at the Central Bank</b>
<b>Time to complete:</b>	included in previous procedure	
<b>Cost to complete:</b>	10% of property value	
<b>Agency:</b>	Central Bank	
<b>Comment:</b>	The buyer pays the conveyance tax at the central bank (all taxes are paid at the central bank), who issues a receipt.	
<b>Procedure</b>	<b>5</b>	<b>Obtain proof of payment from tax authority</b>

**Time to complete:** included in procedure 3

**Cost to complete:** included in previous procedure

**Agency:** Tax Authority (Direção das Finanças)

**Comment:** The buyer submits the tax payment receipt to the tax authority and receives the proof of payment (certidão de Sisa) to be presented to the notary.

## **Procedure 6 A public notary prepares and notarizes the sale purchase agreement**

**Time to complete:** 10 days

**Cost to complete:** STD 200,000 + STD 1,500 (stamp duty)

**Comment:** The sale and purchase agreement must be notarized by a public notary before the payment of taxes at the tax authority.

## **Procedure 7 Apply for registration at the Registo Predial**

**Time to complete:** 21 days

**Cost to complete:** 0.83% of property value (Registration fee)

**Agency:** Registry (Registo Predial)

**Comment:** After obtaining confirmation of tax payments, the buyer applies for registration at the Registo Predial. A new property registration certificate is issued to the buyer. Internally, the Registry will inform the Cadastre of the transfer so they update their records.

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

#### Some reform outcomes

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

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

#### What do the Getting Credit indicators measure?

##### Strength of legal rights index (0–10)

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

##### Depth of credit information index (0–6)

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

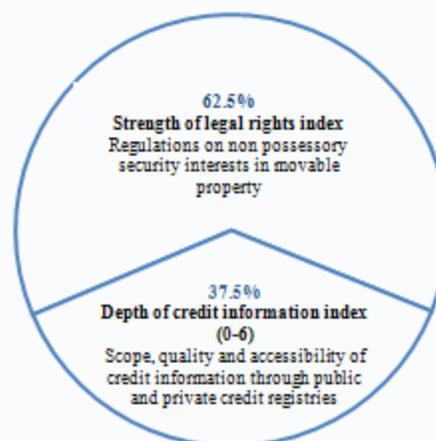
##### Public credit registry coverage (% of adults)

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

##### Private credit bureau coverage (% of adults)

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

#### Getting Credit: collateral rules and credit information



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

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

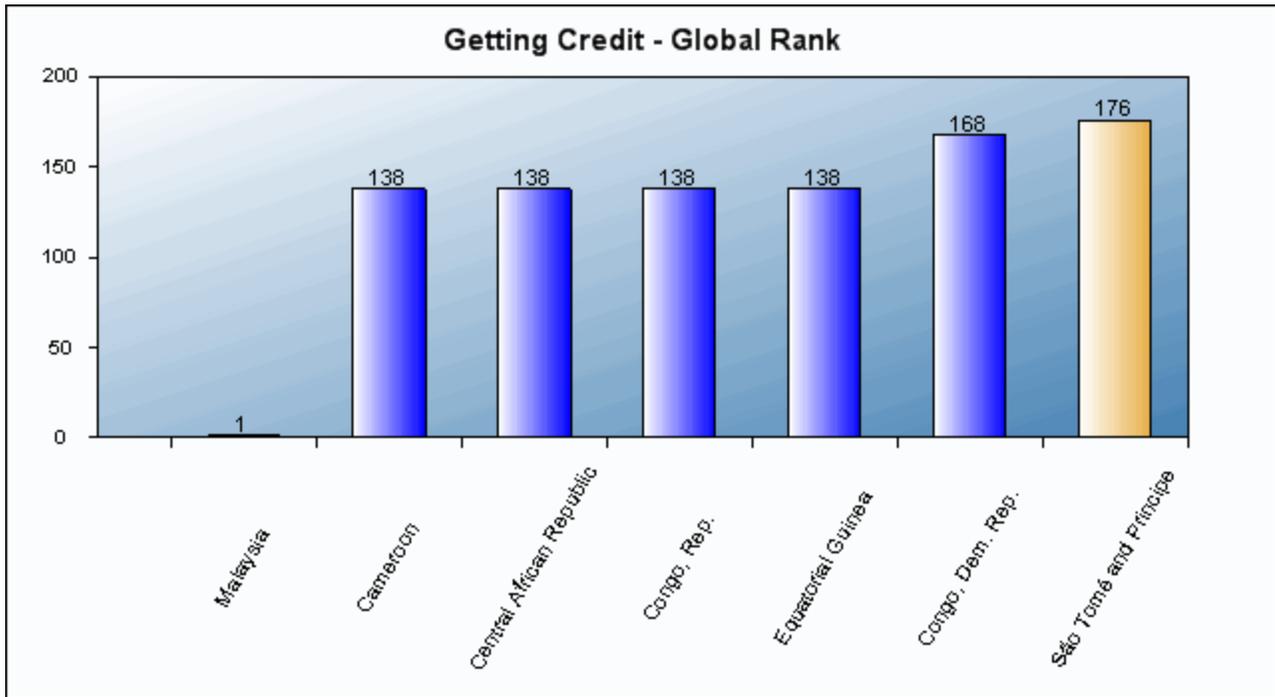
##### The Debtor

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

## 1. Benchmarking Getting Credit Regulations:

São Tomé and Príncipe is ranked 176 overall for Getting Credit.

Ranking of São Tomé and Príncipe in Getting Credit - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>				
<b>São Tomé and Príncipe</b>	<b>2</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

<i>Comparator Economies</i>				
<b>Cameroon</b>	3	2	2.9	0.0
<b>Central African Republic</b>	3	2	2.0	0.0
<b>Congo, Dem. Rep.</b>	3	0	0.0	0.0
<b>Congo, Rep.</b>	3	2	2.9	0.0
<b>Equatorial Guinea</b>	3	2	2.5	0.0

\* The following economies are also good practice economies for :

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

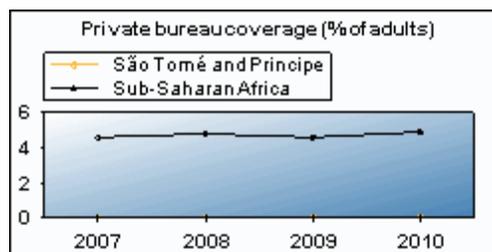
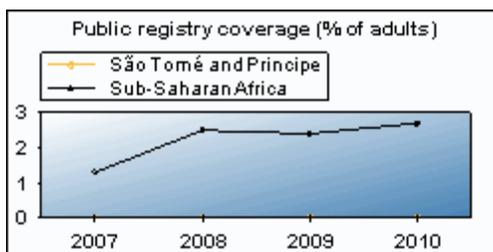
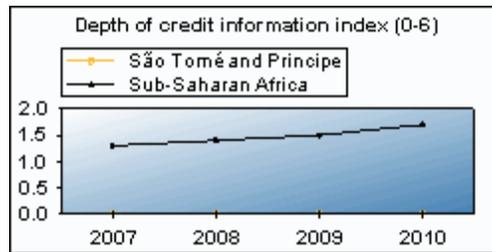
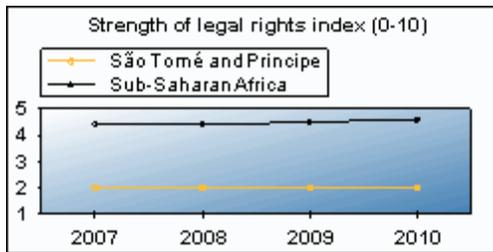
**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

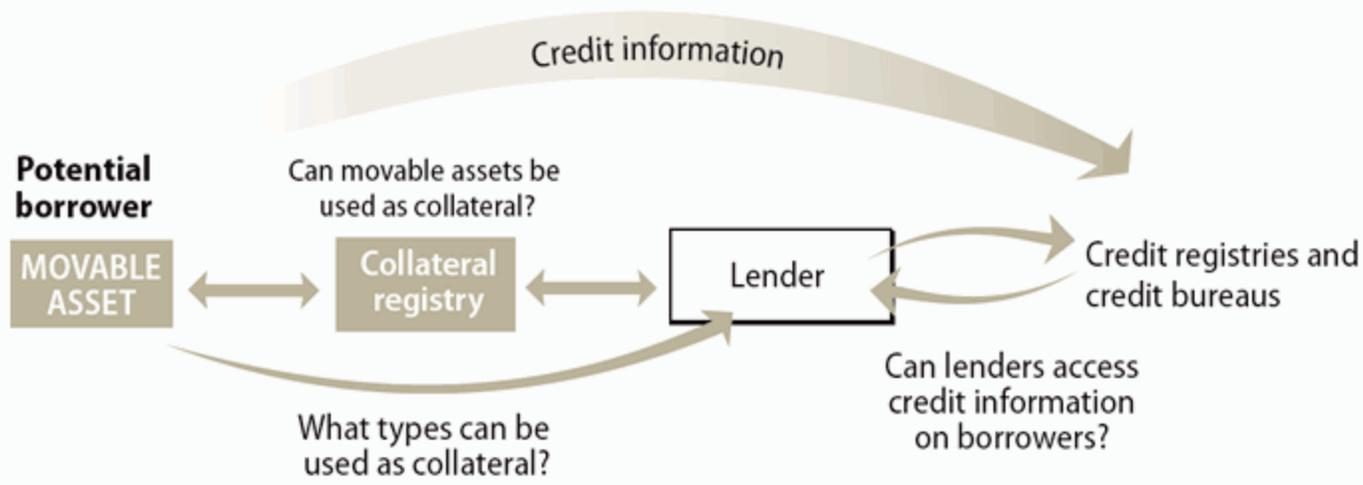
## 2. Historical data: Getting Credit in São Tomé and Príncipe

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	176	176
Strength of legal rights index (0-10)	2	2	2	2
Depth of credit information index (0-6)	0	0	0	0
Private bureau coverage (% of adults)	0.0	0.0	0.0	0.0
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in São Tomé and Príncipe over the past 4 years:



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



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

Getting Credit Indicators (2010)			Indicator
<b>Private bureau coverage (% of adults)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>0</b>
Are data on both firms and individuals distributed?	No	No	0
Are both positive and negative data distributed?	No	No	0
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No	0
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	No	No	0
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	No	0
<b>Coverage</b>	<b>0.0</b>	<b>0.0</b>	
Number of individuals		0	0
Number of firms		0	0

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
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?	No
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?	No
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 ?	Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	No
Does the law authorize parties to agree on out of court enforcement?	No

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

### Some reform outcomes

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

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

### What do the Protecting Investors indicators measure?

#### Extent of disclosure index (0–10)

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

#### Extent of director liability index (0–10)

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

#### Ease of shareholder suits index (0–10)

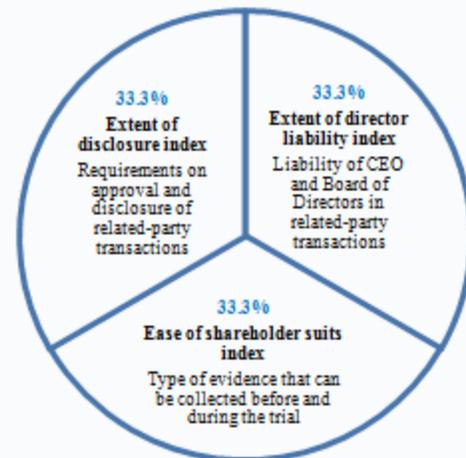
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

#### Strength of investor protection index (0–10)

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

**Protecting Investors:** minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



### Case Study Assumptions

#### The business (Buyer):

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

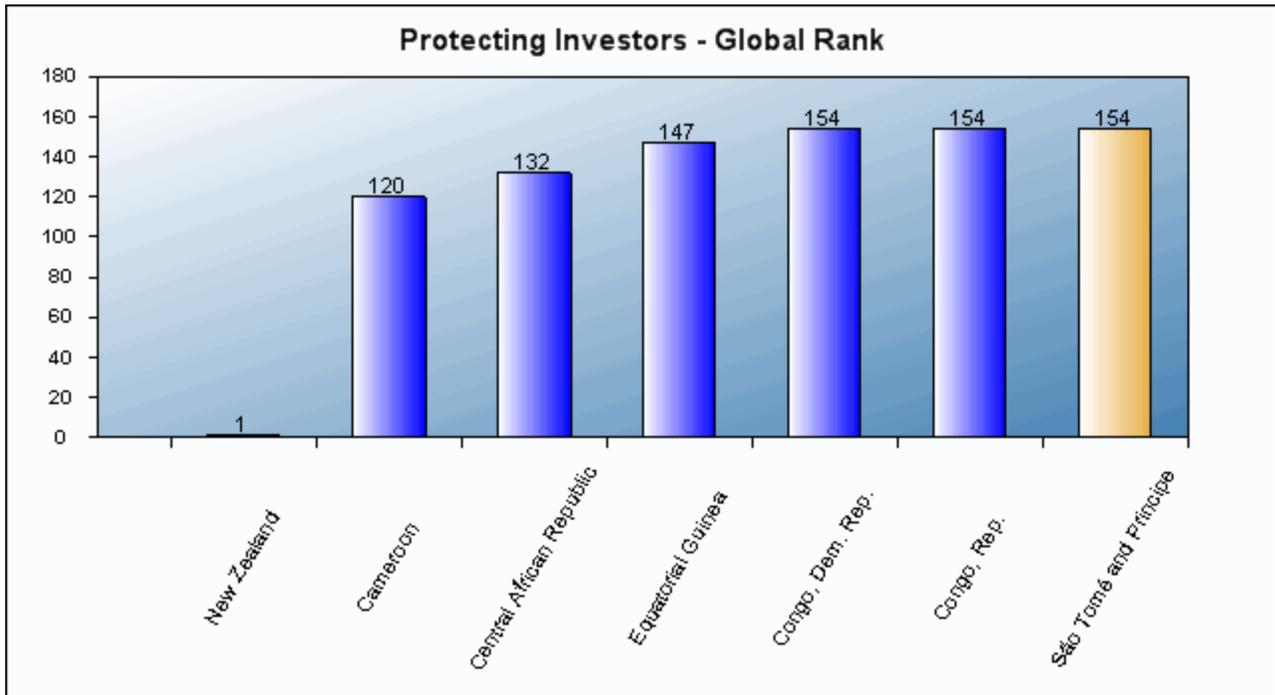
#### The transaction

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

## 1. Benchmarking Protecting Investors Regulations:

São Tomé and Príncipe is ranked 154 overall for Protecting Investors.

Ranking of São Tomé and Príncipe in Protecting Investors - Compared to good practice and selected economies:



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

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

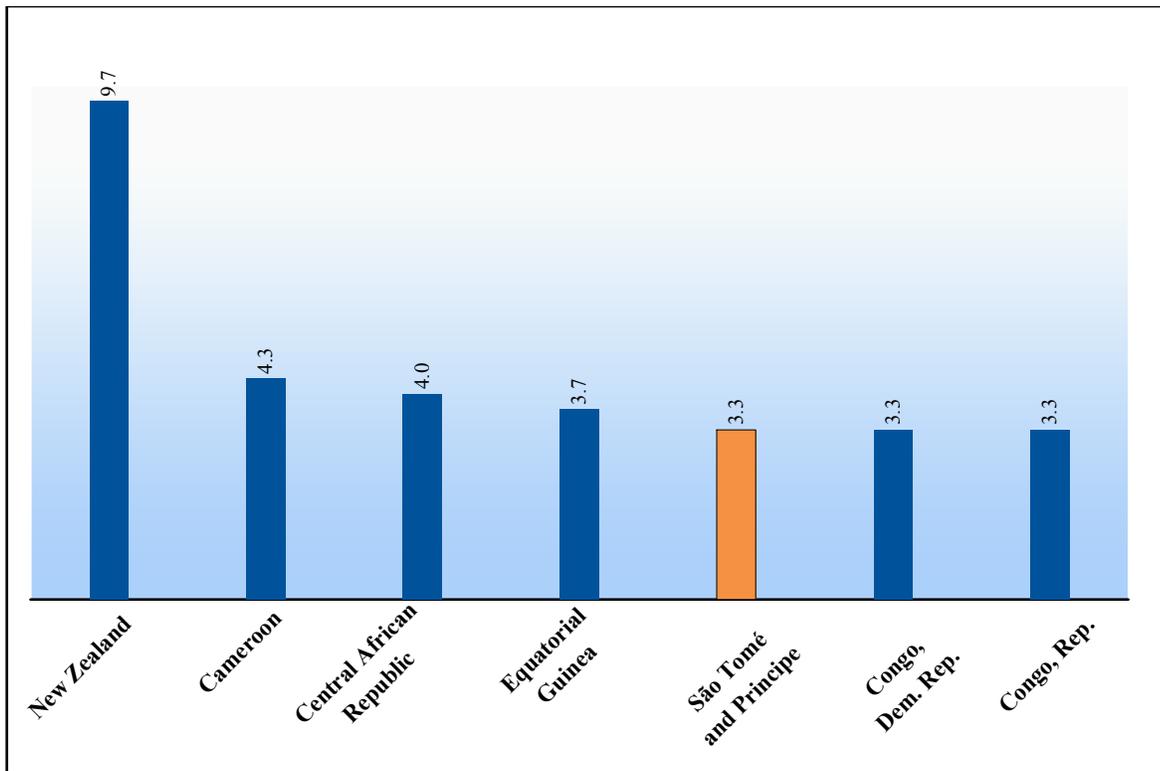
<i>Selected Economy</i>	
<b>São Tomé and Príncipe</b>	<b>3.3</b>

<i>Comparator Economies</i>	
<b>Cameroon</b>	4.3
<b>Central African Republic</b>	4.0
<b>Congo, Dem. Rep.</b>	3.3
<b>Congo, Rep.</b>	3.3
<b>Equatorial Guinea</b>	3.7

**2. Historical data: Protecting Investors in São Tomé and Príncipe**

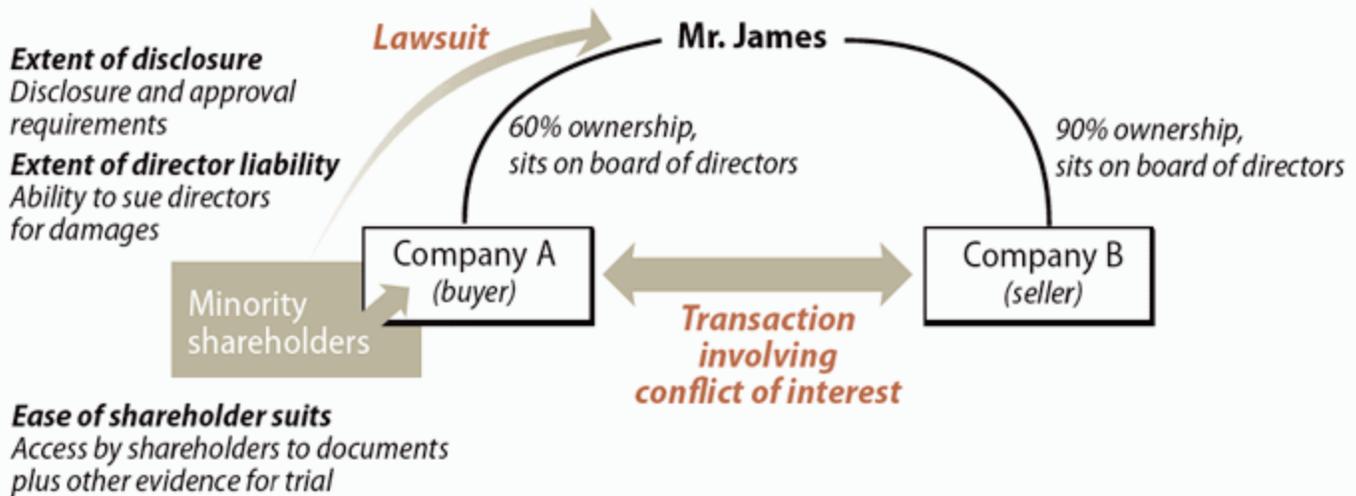
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	153	154
Strength of investor protection index (0-10)	3.3	3.3	3.3	3.3

**3. The following graph illustrates the Protecting Investors index in São Tomé and Príncipe compared to best practice and selected Economies:**



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

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



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

Protecting Investors Data (2010)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>3</b>
What corporate body provides legally sufficient approval for the transaction?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	0
Whether an external body must review the terms of the transaction before it takes place?	0
<b>Extent of director liability index (0-10)</b>	<b>1</b>
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	0
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	0
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	1
<b>Strength of investor protection index (0-10)</b>	<b>3.3</b>

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

### Some reform outcomes

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

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

### What do the Paying taxes indicators measure?

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

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

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

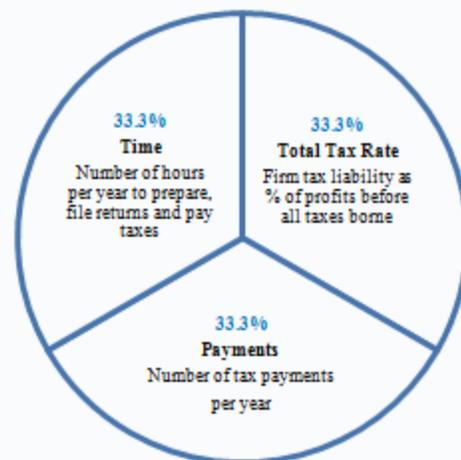
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

**Total tax rate** (% of profit)

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

**Paying Taxes:** tax compliance for a local manufacturing company

*Rankings are based on 3 subindicators*



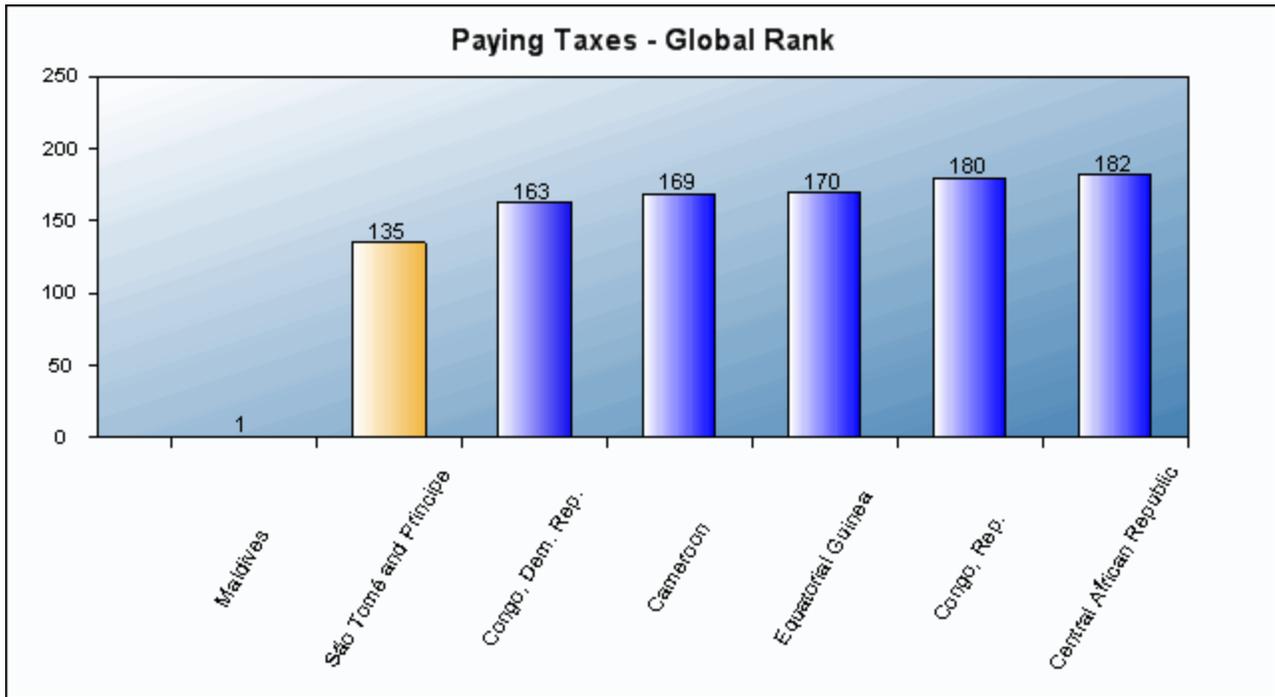
### Case Study Assumptions

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

## 1. Benchmarking Paying Taxes Regulations:

São Tomé and Príncipe is ranked 135 overall for Paying Taxes.

Ranking of São Tomé and Príncipe in Paying Taxes - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>			
<b>São Tomé and Príncipe</b>	<b>42</b>	<b>424</b>	<b>33.3</b>

<i>Comparator Economies</i>			
<b>Cameroon</b>	44	654	49.1
<b>Central African Republic</b>	54	504	203.8
<b>Congo, Dem. Rep.</b>	32	336	339.7
<b>Congo, Rep.</b>	61	606	65.5
<b>Equatorial Guinea</b>	46	492	59.5

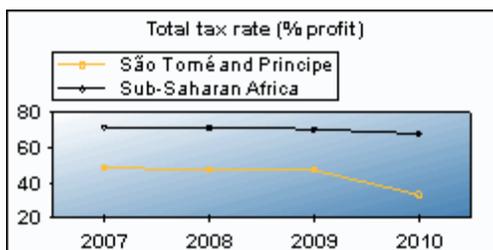
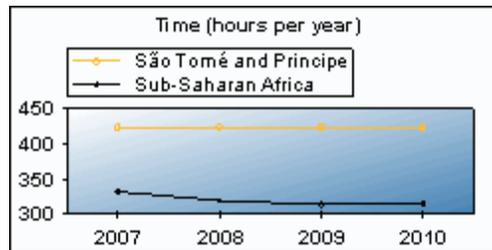
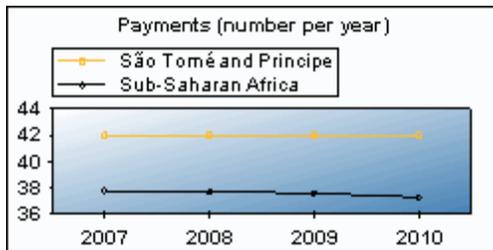
\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

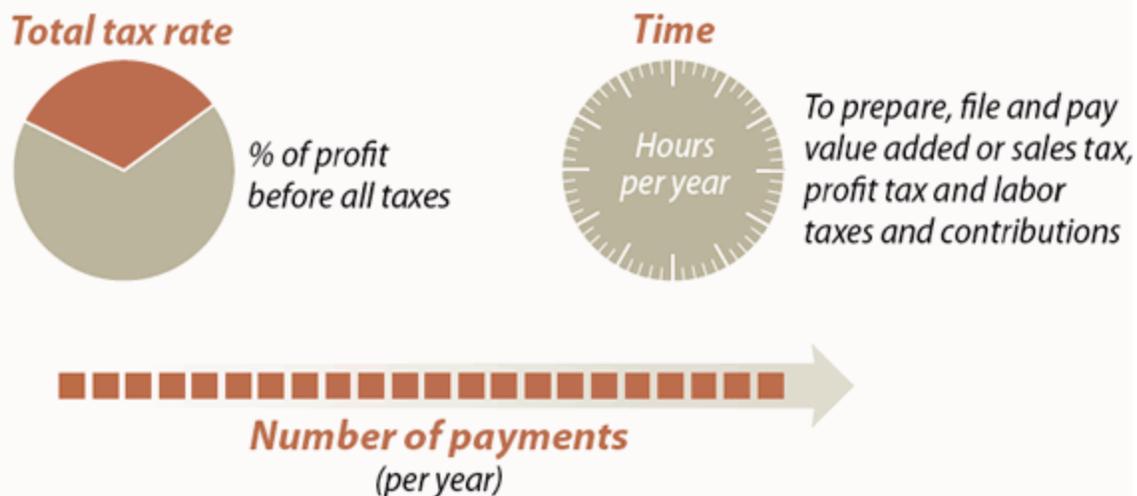
## 2. Historical data: Paying Taxes in São Tomé and Príncipe

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	160	135
Total tax rate (% profit)	48.7	47.2	47.2	33.3
Payments (number per year)	42	42	42	42
Time (hours per year)	424	424	424	424

3. The following graphs illustrate the Paying Taxes sub indicators in São Tomé and Príncipe over the past 4 years:



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



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

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Sales tax	12	withheld	192	5.0%	sales		
Fuel tax	1				included in price of fuel		
Stamp tax on interest	1			1.2%	interest income	0.00	
Vehicle tax	1			fixed fee depending on vehicle		0.10	
Stamp tax on dividends	1			1.2%	dividend distribution	0.40	
Property tax	1			20.0%	registered income	1.70	
Stamp tax on receipts	12			0.2%	sales including sales tax	2.80	
Social security contributions	12		192	6.0%	gross salaries	6.80	
Corporate income tax	1		40	25.0%	taxable profit	21.50	

Totals

42

424

33.3

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

### Some reform outcomes

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

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

### What do the Trading Across Borders indicators measure?

**Trading Across Borders:** exporting and importing by ocean transport

Rankings are based on 3 subindicators

#### Documents required to export and import (number)

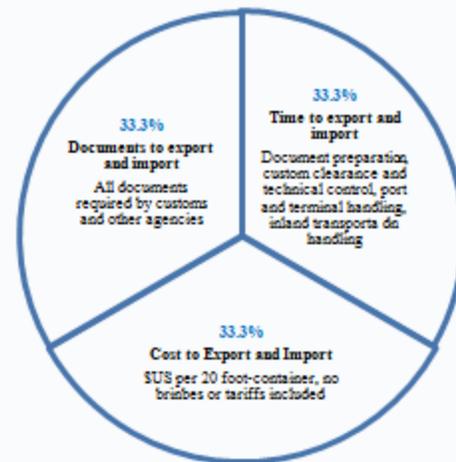
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

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

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

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



### Case Study Assumptions

#### The Business

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

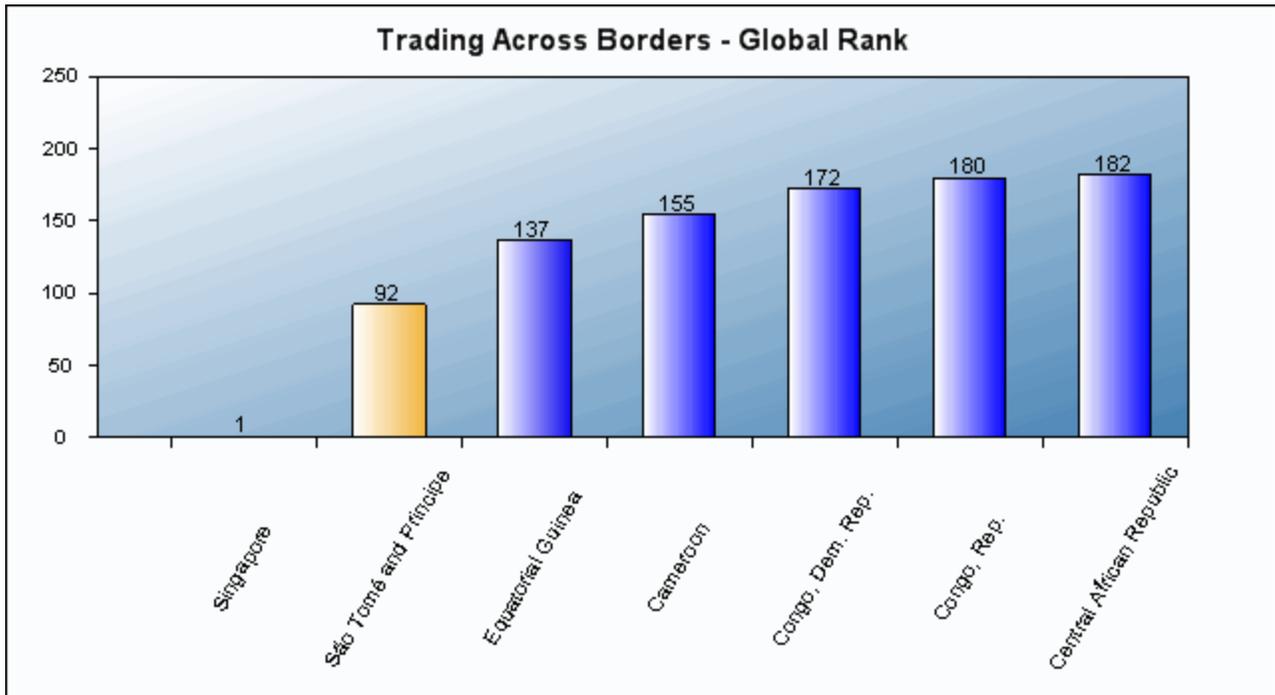
#### The traded product

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

## 1. Benchmarking Trading Across Borders Regulations:

São Tomé and Príncipe is ranked 92 overall for Trading Across Borders.

Ranking of São Tomé and Príncipe in Trading Across Borders - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>						
<b>São Tomé and Príncipe</b>	<b>8</b>	<b>27</b>	<b>690</b>	<b>8</b>	<b>29</b>	<b>577</b>

<i>Comparator Economies</i>						
<b>Cameroon</b>	11	23	1379	12	26	1978
<b>Central African Republic</b>	9	54	5491	17	62	5554
<b>Congo, Dem. Rep.</b>	8	44	3505	9	63	3735
<b>Congo, Rep.</b>	11	50	3818	10	62	7709
<b>Equatorial Guinea</b>	7	29	1411	7	48	1411

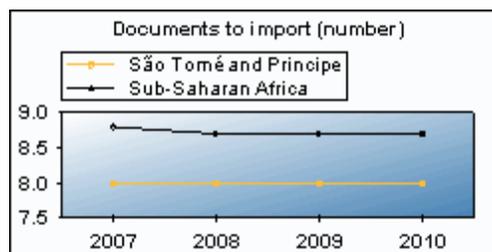
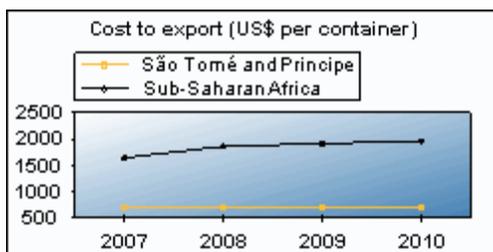
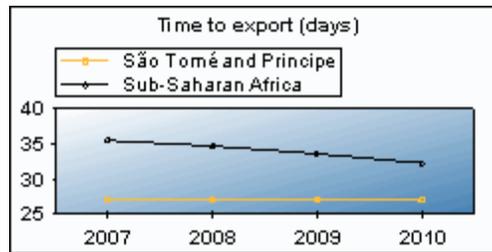
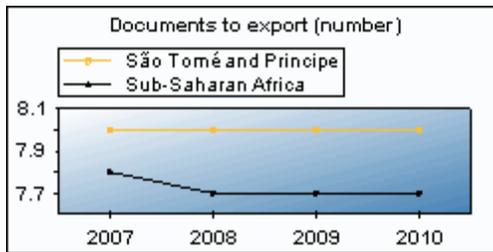
\* The following economies are also good practice economies for :

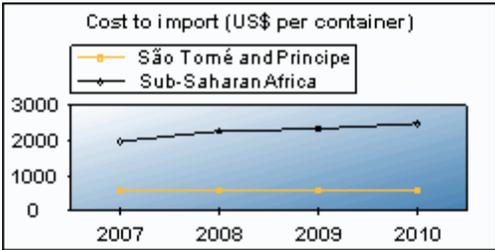
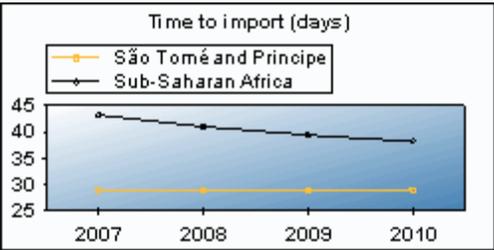
**Time to export (days): Estonia**

## 2. Historical data: Trading Across Borders in São Tomé and Príncipe

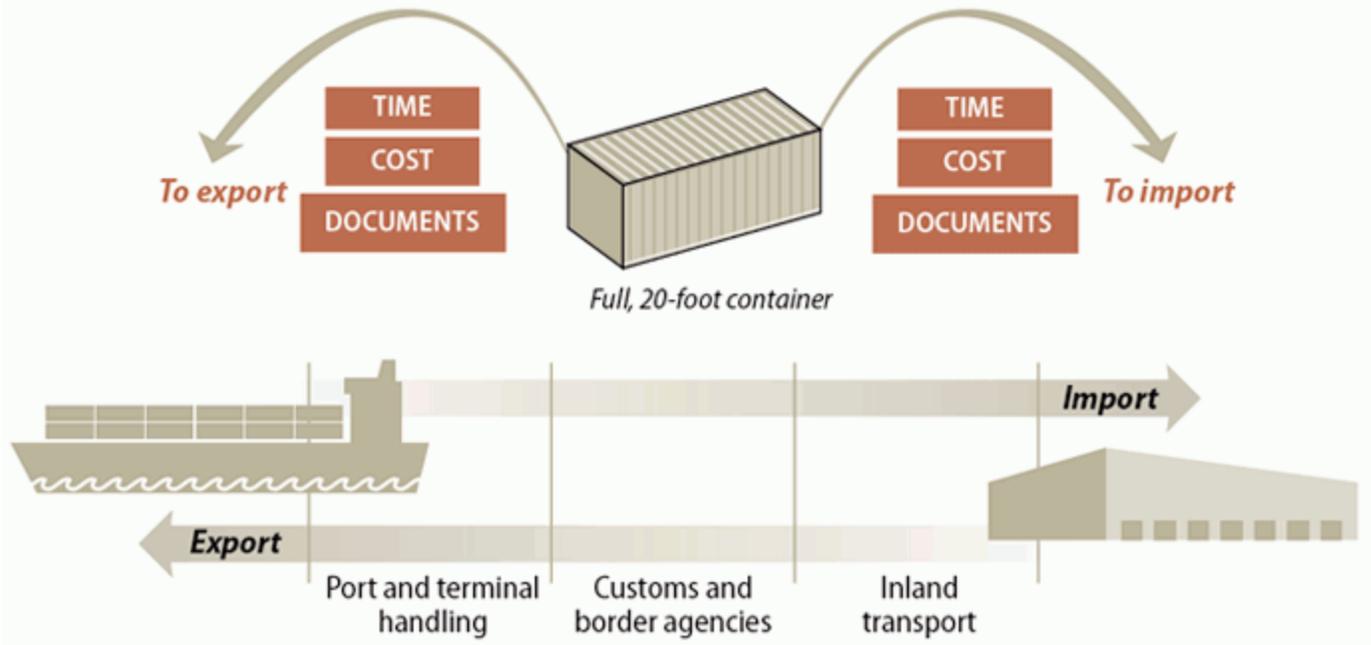
Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	89	92
Cost to export (US\$ per container)	690	690	690	690
Cost to import (US\$ per container)	577	577	577	577
Documents to export (number)	8	8	8	8
Documents to import (number)	8	8	8	8
Time to export (days)	27	27	27	27
Time to import (days)	29	29	29	29

3. The following graphs illustrate the Trading Across Borders sub indicators in São Tomé and Príncipe over the past 4 years:





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



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	22	160
Customs clearance and technical control	2	130
Ports and terminal handling	2	200
Inland transportation and handling	1	200
Totals	27	690

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	22	65
Customs clearance and technical control	2	50
Ports and terminal handling	4	262
Inland transportation and handling	1	200
Totals	29	577

**Documents for Export and Import**

**Export**

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs export declaration
- Packing list
- Tax declaration
- Technical standard/health certificate
- Terminal handling receipts

**Import**

- Bill of lading
- Certificate of origin
- Commercial invoice
- Customs import declaration
- Packing list
- Pre-shipment inspection clean report of findings
- Tax declaration
- Terminal handling receipts

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

#### Some reform outcomes

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

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

#### What do the Enforcing Contracts indicators measure?

**Enforcing Contracts:** resolving a commercial dispute through the courts

Rankings are based on 3 subindicators

#### Procedures to enforce a contract (number)

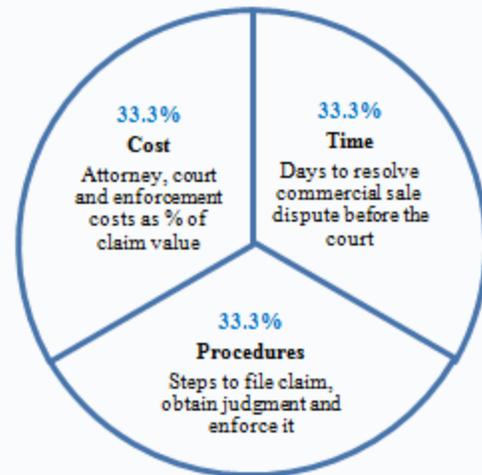
- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

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

#### Cost required to complete procedures (% of claim)

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



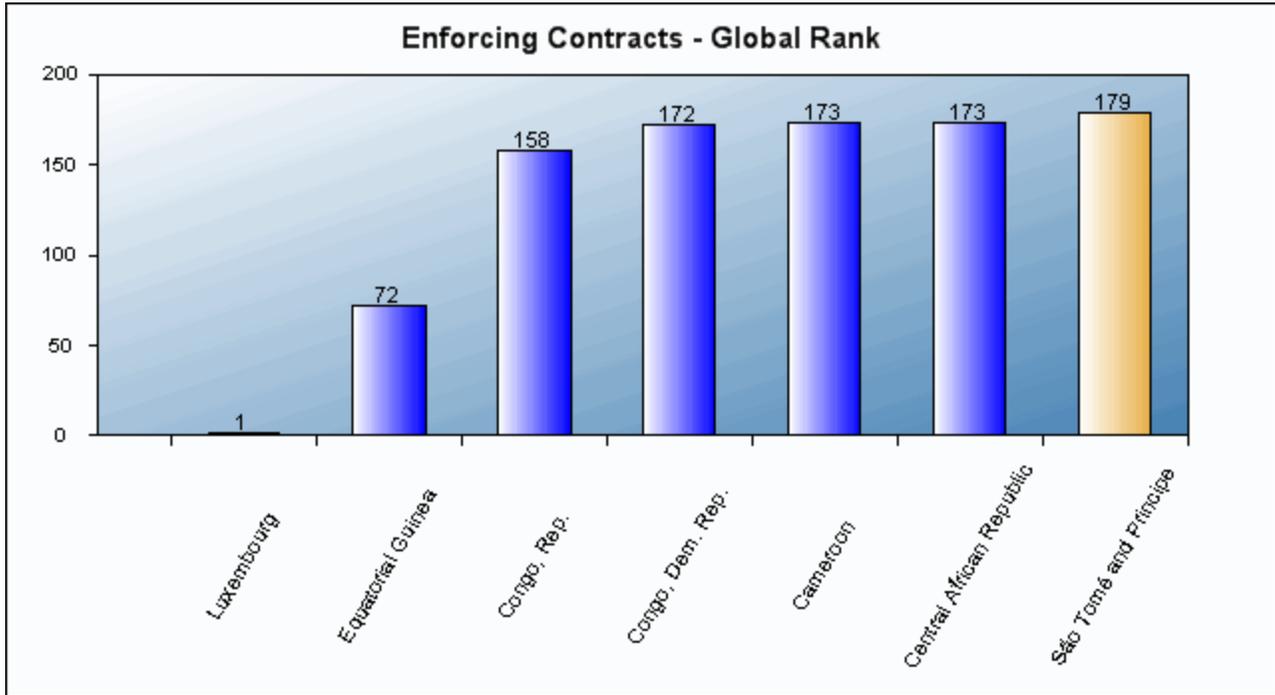
#### Case Study Assumptions

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

## 1. Benchmarking Enforcing Contracts Regulations:

São Tomé and Príncipe is ranked 179 overall for Enforcing Contracts.

Ranking of São Tomé and Príncipe in Enforcing Contracts - Compared to good practice and selected economies:



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

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

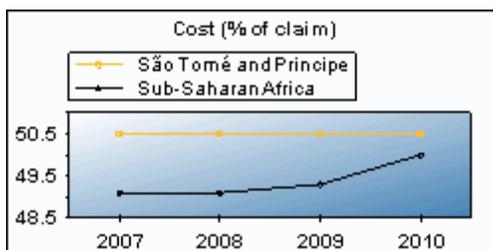
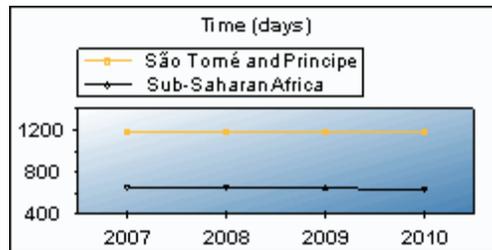
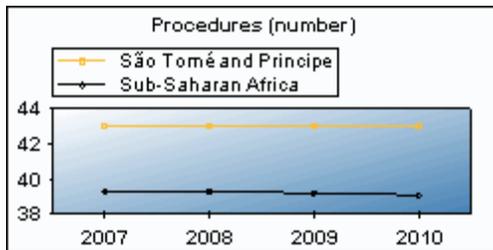
<i>Selected Economy</i>			
<b>São Tomé and Príncipe</b>	<b>43</b>	<b>1185</b>	<b>50.5</b>

<i>Comparator Economies</i>			
<b>Cameroon</b>	43	800	46.6
<b>Central African Republic</b>	43	660	82.0
<b>Congo, Dem. Rep.</b>	43	625	151.8
<b>Congo, Rep.</b>	44	560	53.2
<b>Equatorial Guinea</b>	40	553	18.5

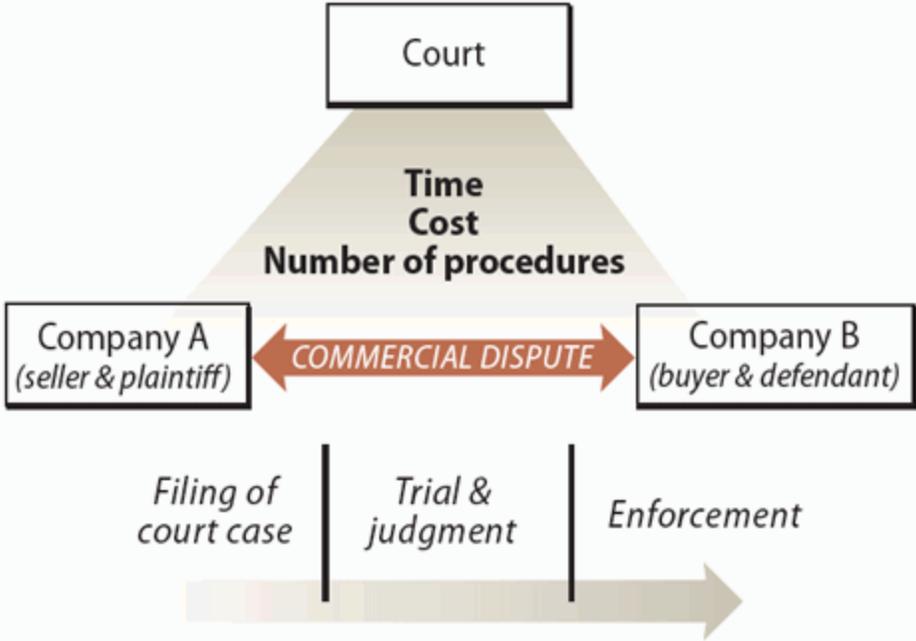
## 2. Historical data: Enforcing Contracts in São Tomé and Príncipe

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	180	179
Procedures (number)	43	43	43	43
Time (days)	1185	1185	1185	1185
Cost (% of claim)	50.5	50.5	50.5	50.5

3. The following graphs illustrate the Enforcing Contracts sub indicators in São Tomé and Príncipe over the past 4 years:



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



This topic looks at the efficiency of contract enforcement in São Tomé and Príncipe.

Nature of Procedure (2010)	Indicator
Procedures (number)	43
Time (days)	1185
Filing and service	90.0
Trial and judgment	730.0
Enforcement of judgment	365.0
<b>Cost (% of claim)*</b>	<b>50.50</b>
Attorney cost (% of claim)	23.4
Court cost (% of claim)	11.3
Enforcement Cost (% of claim)	15.7

**Court information:** São Tomé First Instance ("Tribunal de primeira instancia de São Tomé")  
Tribunal

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

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

### Some reform outcomes

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

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

### What does the Closing a Business indicator measure?

**Closing a Business:** insolvency proceedings against local company

#### Time required to recover debt (years)

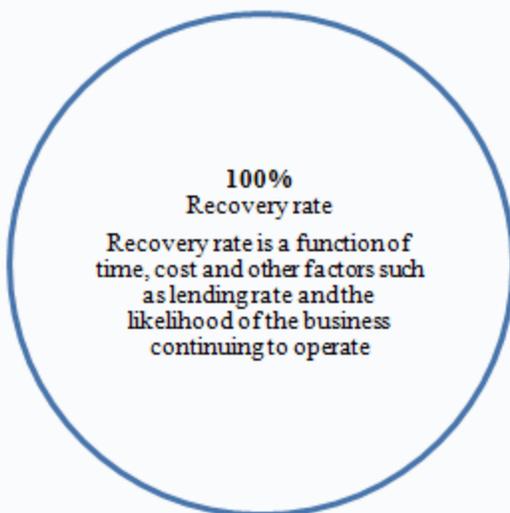
- Measured in calendar years
- Appeals and requests for extension are included

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

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

#### Recovery rate for creditors (cents on the dollar)

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



### *Case Study Assumptions*

#### The Company

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

## 1. Benchmarking Closing Business Regulations:

São Tomé and Príncipe is ranked 183 overall for Closing a Business.

Ranking of São Tomé and Príncipe in Closing Business - Compared to good practice and selected economies:



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

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

<i>Selected Economy</i>			
<b>São Tomé and Príncipe</b>	<b>0.0</b>	<b>no practice</b>	<b>no practice</b>

<i>Comparator Economies</i>			
<b>Cameroon</b>	13.6	3.2	34
<b>Central African Republic</b>	0.0	4.8	76
<b>Congo, Dem. Rep.</b>	1.1	5.2	29
<b>Congo, Rep.</b>	17.8	3.3	25
<b>Equatorial Guinea</b>	0.0	no practice	no practice

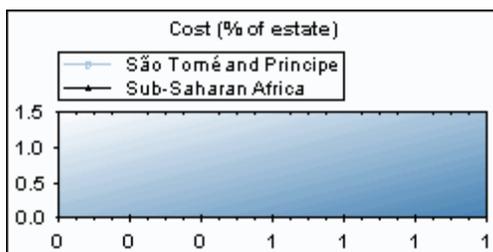
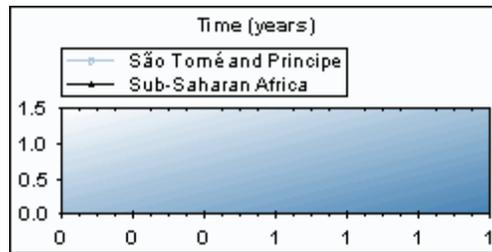
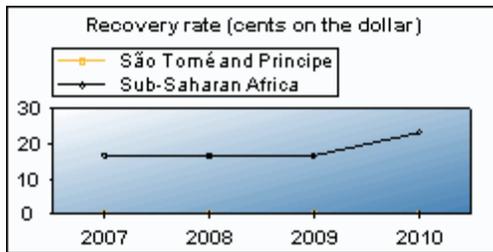
\* The following economies are also good practice economies for :

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

**2. Historical data: Closing Business in São Tomé and Príncipe**

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	183	183
Time (years)	no practice	no practice	no practice	no practice
Cost (% of estate)	no practice	no practice	no practice	no practice
Recovery rate (cents on the dollar)	0.0	0.0	0.0	0.0

**3. The following graphs illustrate the Closing Business sub indicators in São Tomé and Príncipe over the past 4 years:**



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

## The top 10 most-improved in Doing Business 2011

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

 Positive Change  
 Negative Change

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

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

<b>Brunei Darussalam</b>	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
<b>Cameroon</b>	Cameroon made starting a business easier by establishing a new one-stop shop and abolishing the requirement for verifying business premises and its corresponding fees.
<b>Cape Verde</b>	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
<b>Congo, Dem. Rep.</b>	The Democratic Republic of Congo eased business start-up by eliminating procedures, including the company seal. Dealing with construction permits became easier in the Democratic Republic of Congo thanks to a reduction in the cost of a building permit from 1% of the estimated construction cost to 0.6% and a time limit for issuing building permits. The Democratic Republic of Congo reduced by half the property transfer tax to 3% of the property value.
<b>Congo, Rep.</b>	The Republic of Congo reduced its corporate income tax rate from 38% to 36% in 2010.
<b>Grenada</b>	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
<b>Hungary</b>	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
<b>Kazakhstan</b>	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
<b>Peru</b>	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
<b>Rwanda</b>	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
<b>São Tomé and Príncipe</b>	São Tomé and Príncipe made starting a business more difficult by introducing a minimum capital requirement for limited liability companies. São Tomé and Príncipe reduced the corporate income tax rate to a standard 25%.

**Tajikistan**

Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

**Vietnam**

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

**Zambia**

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



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