

Corporate Income Tax Rates around the World, 2014

August 20, 2014

By Kyle Pomerleau

Key Findings

- The United States has the third highest general top marginal corporate income tax rate in the world at 39.1 percent, exceeded only by Chad and the United Arab Emirates.
- The worldwide average top corporate income tax rate is 22.6 percent (30.6 percent weighted by GDP).
- By region, Europe has the lowest average corporate tax rate at 18.6 percent (26.3 percent weighted by GDP); Africa has the highest average tax rate at 29.1 percent.
- Larger, more industrialized countries tend to have higher corporate income tax rates than developing countries.
- The worldwide (simple) average top corporate tax rate has declined over the past decade from 29.5 percent to 22.6 percent.
- Every region in the world has seen a decline in their average corporate tax rate in the past decade.

Introduction

It is well known that the United States has the highest corporate income tax rate among the 34 industrialized nations of the Organization for Economic Cooperation and Development (OECD).[1] However, it is less well known how the United States stacks up against all of the countries and other tax jurisdictions throughout the world. Expanding the sample of countries to 163, the U.S. corporate tax rate of 39.1 percent is the third highest in the world, behind only the United Arab Emirates and Chad, which have rates of 55 and 40 percent, respectively. The U.S. tax rate is 16.5 percentage points higher than the worldwide average of 22.6 percent and about 9 percentage points higher than the worldwide GDP-weighted average of 30.6 percent. As with the average tax rate among industrialized nations, the average worldwide tax rate has been declining over the past ten years, pushing the United States farther from the norm. This worldwide decline in corporate tax rates can be seen in all regions of the world.

The United States Has the Third Highest Corporate Tax Rate among 163 Nations

The top marginal corporate tax rate among the 163 countries surveyed was the United Arab Emirates,[2] which has a top rate of 55 percent (see Table 1).[3] This is followed by the African nation of Chad (40 percent). The United States, with a combined top marginal tax rate of 39.1 percent (consisting of the federal tax rate of 35 percent plus the average tax rate among the states), has the third highest corporate income tax rate in the world. In contrast, the average across all 163 countries and tax jurisdictions is 22.6, or 30.6 percent weighted by gross domestic product.[4]

Every region in the world except for Oceania is represented in the top twenty countries. Six of the top twenty countries are in Africa and five are in Asia. The nine remaining countries are in South and North America.

Other large nations in the top twenty countries besides the United States are Japan (37 percent), France (34.4 percent), Brazil (34 percent), Pakistan (34 percent), and India (34 percent).

Table 1. Twenty Highest Top Marginal Corporate Tax Rates in the World

Country	Top Rate	Region
United Arab Emirates	55.0%	Asia
Chad	40.0%	Africa
United States	39.1%	North America
Cameroon	38.5%	Africa
Japan	37.0%	Asia
Virgin Islands, U.S.	35.0%	North America
Angola	35.0%	Africa
Zambia	35.0%	Africa
Equatorial Guinea	35.0%	Africa

Malta	35.0%	Europe
Argentina	35.0%	South America
Congo, Democratic Republic of the	35.0%	Africa
Yemen	35.0%	Asia
Saint Kitts and Nevis	35.0%	North America
Guyana	35.0%	South America
France	34.4%	Europe
Brazil	34.0%	South America
Venezuela	34.0%	South America
Pakistan	34.0%	Asia
India	34.0%	Asia
Worldwide Average	22.6%	N/A
Worldwide Weighted Average	30.6%	N/A
Note: These are general corporate tax rates. Many countries have targeted rates that differ.		

Among countries with corporate income taxes, Turkmenistan and Uzbekistan have the lowest top marginal rate at 8 percent (see Table 2). Nine countries have top rates of 10 percent, most of them small nations in Europe. The only industrialized nation^[5] among the bottom twenty countries is Ireland, which is known for its low 12.5 percent rate.

Table 2. Twenty Lowest Top Marginal Corporate Tax Rates in the World (excluding countries without a corporate income tax)

Country	Top Rate	Region
Jordan	14.0%	Asia
Liechtenstein	12.5%	Europe
Ireland	12.5%	Europe
Cyprus	12.5%	Europe
Oman	12.0%	Asia
Macao	12.0%	Asia
Moldova, Republic of	12.0%	Europe
Timor-Leste	10.0%	Asia
Albania	10.0%	Europe
Paraguay	10.0%	South America
Qatar	10.0%	Asia
Kyrgyzstan	10.0%	Asia
Macedonia, The Former Yugoslav Republic of	10.0%	Europe
Gibraltar	10.0%	Europe
Bosnia and Herzegovina	10.0%	Europe
Andorra	10.0%	Europe

Bulgaria	10.0%	Europe
Montenegro	9.0%	Europe
Turkmenistan	8.0%	Asia
Uzbekistan	8.0%	Asia
Worldwide Average	22.6%	N/A
Worldwide Weighted Average	30.6%	N/A
Note: These are general corporate tax rates. Many countries have targeted rates that differ.		

Of the 163 countries surveyed, there are currently ten countries without a corporate income tax (Table 3). Most countries without corporate income tax rates are small island nations. Four of the ten countries are islands famed for having no corporate income tax: Bahamas, Cayman Islands, British Virgin Islands, and Bermuda. Bahrain has no general corporate income tax but does have a targeted corporate income tax on oil companies.^[6]

Table 3. Countries Without General Corporate Income Taxes		
Country	Top Rate	Region
Bahrain	0%	Asia
Bahamas	0%	North America
Guernsey	0%	Europe
Vanuatu	0%	Oceania
Jersey	0%	Europe
Cayman Islands	0%	North America
Isle of Man	0%	Europe
Wallis and Futuna	0%	Oceania
Virgin Islands, British	0%	North America
Bermuda	0%	North America
Note: These are general corporate tax rates. Many countries have targeted rates that differ.		

Regional Variation in Corporate Tax Rates

Corporate tax rates vary significantly between global regions (Table 4). Africa's average top marginal corporate income tax rate of 29.1 percent is the highest among all regions. Europe has the lowest average tax rate at 18.6 percent, 4 percentage points below the worldwide average of 22.6 percent.

Weighted by Gross Domestic Product (GDP), North America stands as the region with the highest average top marginal corporate tax rate at 37.3 percent. This is unsurprising given that the United States makes up more than 80 percent of the region's GDP and has a corporate tax rate of 39.1 percent. Europe also has the lowest weighted average top marginal corporate tax rate at 26.3 percent.

Larger, more industrialized countries tend to have higher corporate income tax rates than the world as a whole. The G7, which is a group of the seven largest nations in the world by net wealth, has an average corporate income tax rate of 30.7 percent (34.7 percent weighted). The 34 nations of the OECD have an average corporate tax rate of 25 percent (32 percent weighted). The BRICS (Brazil, Russia, India, China, and South Africa) have an average rate of 28.2 percent (26.7 percent weighted).

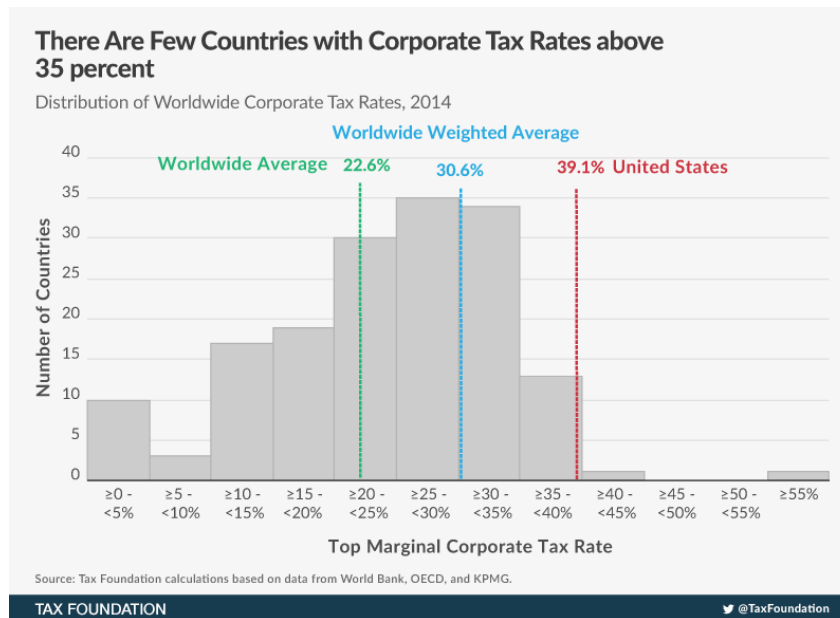
Table 4. Average Top Marginal Corporate Tax Rate by Region			
Region	Average Rate	Weighted Average	Number of Countries

Africa	29.1%	28.6%	28
Asia	20.8%	28.2%	44
Europe	18.6%	26.3%	46
North America	24.1%	37.3%	24
Oceania	21.0%	27.3%	10
South America	27.5%	31.7%	11
G7	30.7%	34.8%	7
OECD	25.2%	32.5%	34
BRICS	28.2%	27.2%	5
EU	22.6%	27.0%	28
G20	28.4%	32.3%	19
World	22.6%	30.6%	163

There Are Few Countries with Corporate Tax Rates above 35 percent

The United States stands as one of the few nations in the world that has a top corporate income tax rate above 35 percent. Figure 1 shows the distribution of the corporate tax rates among 163 countries in 2014. A plurality (35) of countries have corporate income tax rates between 25 and 30 percent, while 34 countries have tax rates between 30 and 35 percent. The United States is one of only 15 countries in the world that has a corporate tax rate over 35 percent.

At the lower end, 49 countries have corporate tax rates below 20 percent, while 10 countries have rates below 5 percent.



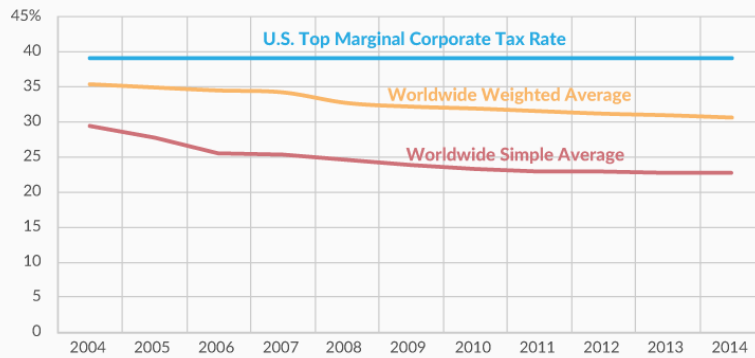
Worldwide Corporate Tax Rates Have Fallen in the Past Decade

Reductions in corporate income tax rates in the past decade have occurred across the globe, reducing considerably the worldwide average tax rate (Figure 2). In 2004, the worldwide average was approximately 29.5 percent. By 2014, the average rate had declined by more than 7 percentage points to 22.6 percent.

The average top marginal corporate tax rate weighted by GDP has not declined as much. This is mainly due to the fact that the United States, which makes up approximately 25 percent of the world GDP, continues to have a high 39.1 percent corporate income tax rate that has not changed in over a decade. Nonetheless, the worldwide GDP-weighted average tax rate has declined from 35.4 percent to 30.6 percent over the last ten years.

The Worldwide Average Corporate Tax Rate Has Declined over the Past Decade

Average Worldwide Top Marginal Corporate Tax Rate Compared to U.S. Top Marginal Corporate Tax Rate, 2004-2014



Source: Tax Foundation calculations based on data from World Bank, OECD, and KPMG.

TAX FOUNDATION

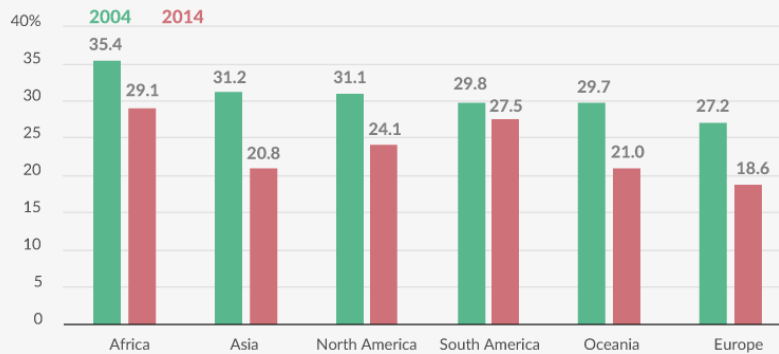
@TaxFoundation

This downward trend holds across all regions of the globe (Figure 3). The average top marginal corporate tax rate in all regions has declined over the last decade.

The largest absolute drop in average top marginal corporate tax rates was in Asia. The average declined from 31.2 percent in 2004 to 20.8 percent in 2014, a 10 percentage point decline. South American countries reduced their corporate income tax rates the least, from 29.8 percent to 27.5 percent over the last decade.

Corporate Tax Rates throughout the World Have Declined over the Past Decade

The Average Top Marginal Corporate Tax Rate by World Region, 2004 and 2014



Note: Simple averages used.

Source: Tax Foundation calculations based on data from World Bank, OECD, and KPMG.

TAX FOUNDATION

@TaxFoundation

Conclusion

The corporate income tax rate is one of many aspects of what makes a country's tax code and economy attractive for investment. However, as the rest of the world's economies mature and their tax rates on corporate income continue to decline, the United States risks losing its competitive edge due to its exceptionally high corporate income tax rate.

[1] OECD Tax Database, *Table II.1 – Corporate income tax rates: basic/non-targeted* (last updated May 2014), <http://www.oecd.org/tax/tax-policy/tax-database.htm>.

[2] The United Arab Emirates is a federation of seven separate emirates. Since 1960, each emirate has the discretion to levy up to a 55 percent corporate tax rate on any given business. In practice, the tax is levied mostly on oil companies and foreign banks. For more information, see PricewaterhouseCoopers, *Worldwide Tax Summaries 2014*, <http://www.pwc.com/gx/en/tax/corporate-tax/worldwide-tax->

summaries/assets/pwc-worldwide-tax-summaries-corporate-2013-14.pdf. See also Galadari & Associates, *Taxation in the United Arab Emirates*, http://www.galadarilaw.com/uploads/brochures/172113_Tax.pdf.

[3] Data on top marginal corporate tax rates is derived from multiple sources, including Deloitte, *Deloitte International Tax Guides* (2014), <https://dits.deloitte.com/#TaxGuides>; PricewaterhouseCoopers, *Worldwide Tax Summaries – Corporate Taxes 2014/14*, <http://www.pwc.com/gx/en/tax/corporate-tax/worldwide-tax-summaries/downloads.jhtml>; KPMG, *KPMG corporate tax rate table*, <http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx>; OECD Tax Database, *Table II.1 – Corporate income tax rates: basic/non-targeted* (last updated May 2014), <http://www.oecd.org/tax/tax-policy/tax-database.htm>.

[4] GDP calculations from U.S. Department of Agriculture, Economic Research Service, *International Macroeconomic Data Set*, (last updated Dec. 19, 2013), <http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx#.U-pNdflidVMc>.

[5] Defined as a member of the Organization of Economic Cooperation and Development (OECD).

[6] The rate can be as high as 46 percent. See Deloitte, *Deloitte International Tax Guides* (2014), <https://dits.deloitte.com/Administration/ManageHomePage/Popup.aspx?ChildPage=Country%20Guides%20and%20Highlights>.

Tax Topic Corporate Income Taxes, Federal Taxes, International Taxes