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Tax burden and individual rights in the OECD: an international comparison

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Foreword by **Professor Pascal Salin**

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Impressum

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Foreword

Our time is full of paradoxes. But more often than not, those paradoxes arise from state arbitrariness. States claim to implement competition policies in order to impose competition on private producers. But competition is nothing more than the freedom to act, the freedom to do things differently from others. It is therefore paradoxical to want to *impose* freedom! But it is even more paradoxical that those same states will not apply to themselves the rules that they claim to impose upon others. They wage war against tax competition, pretending that tax competition is "harmful" – a term used by the OECD, regardless of the neutrality that such an organization should practice, not to mention the most elementary sense of honesty. But how could one argue for the idea that the freedom to act and decide by oneself and for oneself harms others?

Admittedly, when a private producer sees the arrival of a competitor likely to offer better products at lower prices he fears that he might lose clients and that this competition will be "harmful" for him. He might be tempted, against all logic and any moral sense, to denounce this competition – a competition that will perhaps be called "unfair" – and call for the intervention of state coercion in order to put an end to the other producers' freedom to produce and sell. Of course, if his complaints are heard and if a state sets the protections necessary to allow him to continue offering products that are less satisfactory for his clients than his competitors' products, there will be victims. Namely, the consumers deprived of potential gains and the other private producers deprived of their normal markets. It is therefore not competition that is harmful, but the lack thereof.

The very same holds true for public policies, in particular tax policies. By trying to prevent tax competition, OECD or EU member states wish to deprive the world's citizens of their freedom to choose for themselves or for some of their activities the tax environment that they deem best. In order to achieve this goal – another paradox – states try to form international public cartels, while they claim to be fighting private cartels. But the latter could not be permanently harmful if freedom to produce, that is, competition, were allowed to persist. That is why, more often than not, private cartels are actually beneficial and aim at better answering their clients' specific needs. On the other hand, public cartels, which are explicitly created in order to prevent competition, are necessarily harmful, as well as, unfortunately, lasting.

By restricting tax competition, for instance by trying to harmonize tax policies or by fighting "tax havens", high-tax states – tax hells – deprive their citizens of one of the great benefits of competition, experimentation. As Friedrich Hayek often pointed out, competition is a "discovery process". In a purely imaginary world of perfect knowledge, competition would surely be unnecessary, for everyone would know what the best solutions to any problem are. But we are not in a world of this kind. Yet that is precisely what the high-tax states fighting against tax competition would like to make us believe. They assume that their tax policies are the best possible and that any competition would lead to a “race to the bottom”. But if the tax rates applied in the tax hells – for instance for the taxation of capital – were optimal, capital would not flee. For a long time, drastic foreign exchange controls have allowed many states to despoil capital. They cannot tolerate that their “tax slaves” can flee to more favorable areas. And yet, as this study so opportunely underscores, the whole world benefits from the existence of low-tax areas. For these areas not only lead to capital movement, but also create incentives to accumulate more capital.

It is sad to have to recognize it, but in the current intellectual environment, it requires courage to defend the ideas presented in this study. Yet, they are founded on serious economic theory, that is, on real knowledge of individual behavior in society. In a limited number of pages, this paper presents the essentials of the case for tax competition. It also offers a new and remarkable instrument with the tax oppression index. For it is indeed oppression that this is about. Any new tax, any raise in an existing tax, has a double destructive effect: It destroys the taxpayers' incentives to act and produce, and it destroys the productive incentives of the state's redistribution beneficiaries. This necessarily destructive aspect of taxation fully justifies the endeavor to evaluate tax oppression – as it is done for the first time in this study. Instead of fighting tax competition, there might be no task more urgent today than to limit tax oppression.

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Summary

The OECD's campaign against "harmful tax competition" and "tax havens" has overshadowed the essential issue, namely the important roles that both tax competition and "tax havens" play for capital preservation and formation, leading to higher prosperity and better protection of individual rights throughout the OECD.

The tax oppression index is based on 18 representative criteria measuring fiscal attractiveness, public governance and financial privacy in the 30 member states of the OECD. Switzerland appears as the country with the lowest tax oppression – due to a *relatively* low tax burden and a more liberal institutional order, including its citizens' right to veto legislation, political decentralization, and protection of financial privacy. Germany and France, on the other hand, whose governments have supported the OECD's efforts, are among the most questionable states in terms of safeguarding their residents' individual rights.

Tax oppression index

Italy	6.0
Turkey	6.0
Poland	5.9
Mexico	5.9
Germany	5.9
Netherlands	5.8
Belgium	5.6
Hungary	5.6
France	5.6
Greece	5.5
United Kingdom	5.3
United States	5.3
Norway	5.1
Portugal	5.1
Czech Republic	5.1

Australia	5.1
Spain	5.0
Japan	5.0
Sweden	4.9
Finland	4.9
Korea	4.9
Denmark	4.8
New Zealand	4.7
Ireland	4.6
Iceland	4.5
Slovakia	4.5
Canada	4.4
Austria	4.2
Luxembourg	3.4
Switzerland	2.0

Tax burden and individual rights in the OECD: an international comparison

PIERRE BESSARD*

Introduction

The global economic crisis has led to intensified efforts by some heavily indebted high-tax states against other countries often referred to as “tax havens”, i.e., jurisdictions with lower taxes and better financial privacy rules. The Organization for Economic Cooperation and Development (OECD), an official agency analyzing the public policies of 30 countries, has played a key role in promoting the exchange of bank information for tax purposes for over 10 years. During the G20 summit in April 2009, it served again as a support for lists of countries exempting some and accusing others, in particular those countries which recognize in their legislation their citizens’ rights to the confidentiality of their banking information. The secretary-general of the OECD, Angel Gurria, has been personally involved in this crusade in the name of high-tax states: “At a time when governments need every tax dollar legally due to combat the world recession, such practices can no longer be tolerated.”[1]

Whether increased public spending in order to “combat the world recession” is appropriate or not, it should be pointed out that the OECD already published its first report on “harmful tax competition” in 1998, following a request, two years earlier, by high-tax governments.[2] These governments’ goal was explicitly to reduce the freedom of movement of capital by restricting the role of tax competition “on investment and financing decisions and the consequences for national tax bases”. Following this report, the OECD adopted a recommendation on the “fight against harmful tax practices”, on which two founding members of the Organisation, Switzerland and Luxembourg, abstained. Those countries, however, could have exercised their veto and thus prevented the escalation of this fight, the outcome of which we now know and which now includes, against their will, several countries originally strongly opposed to the report’s conclusions but that have now caved in to political pressure. This recommendation instituted in particular the “Forum on Harmful Tax Practices”, whose task consists of pressurizing the states found at fault and to report periodically on the results of its work. In parallel, the European Union

* Executive Director of the Institut Constant de Rebecque.
[1] Angel Gurria, “G20: Cleaning up the world economy”, *The Guardian*, March 31, 2009.
[2] “Harmful Tax Competition: An Emerging Global Issue”, OECD report, 1998.

(EU) took up the case against “harmful tax competition” in order to advance tax centralization at the European level.[3] Following the G20 summit, the European Commission put forward several measures in order to intensify the exchange of information between states and foster “fair tax competition”, claiming that “with the financial crisis, the need for national governments to safeguard their tax revenues is more acute than ever”.[4] The Commission recommends in particular to discuss counter-measures towards “non cooperative jurisdictions in the field of taxation” based on the OECD Secretariat’s list.

Considering the large European welfare states’ indebtedness and unfinanced promises of future retirement benefits, such plans should not come as a surprise. Currently, the expenditures on unreformed social redistribution systems represent more than half of all public spending of OECD states and more than one quarter of GDP (28.5% in France and 27.4% in Germany, for instance). The costs of the lack of welfare state reforms are acknowledged as a dangerous time bomb.[5] And yet, the OECD as well as high-tax governments present tax optimization possibilities to the public as a hindrance for the financing of public services, such as schools.[6] Yet public spending on education amounts to a mere 5.8% of GDP in the OECD (5.1% in Germany and 6% in France),[7] i.e., four times less than welfare spending. These relations make the underlying demagogy in the argument of “the financing of schools” in order to attack “tax havens” all too apparent.

This report reevaluates the OECD’s fight against “harmful tax competition” and “tax havens” in the perspective of civil society and shows that the only ones to gain from this fight are unreformed high-tax states, to the detriment of their residents and their prosperity. The report quantifies for the first time, with the means of a tax oppression index, the weight of the tax burden, the legitimacy of the tax system and the protection of financial privacy in the 30 OECD countries.

[3] See Pierre Bessard, “Das europäische Steuerkartell und die Rolle der Schweiz”, Liberales Institut, 2008.
[4] European Commission, “Taxation and Good governance: The European Commission proposes actions to improve transparency, exchange of information and fair tax competition”, Brussels, April 28, 2009.
[5] See on this the report of the International Monetary Fund, “The State of Public Finances: Outlook and Medium-Term Policies After the 2008 Crisis”, March 2009.
[6] This is asserted in an OECD information video on “tax havens” and a statement on an information website of the German Finance Minister Peer Steinbrück, for example.
[7] Source: OECD Database, 2008.

The OECD: an inconsistent and unfounded campaign

The lack of legitimacy of the OECD's fight against "harmful tax competition"[8] and "tax havens" has been obvious since the publication of its controversial 1998 report. The OECD's goal was never supposed to be to serve specific tax objectives of particular states, but, according to the 1960 founding Convention, to promote policies designed:

– to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;

– to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and

– to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The OECD has been ever since its founding a promoter of liberalization and reforms strengthening the free operation of markets. It is therefore striking that in tax matters, it presents as one element of identification of a harmful tax system a level of taxation lower in one country than in others and protects high-tax states – a policy which would appear as utterly contradictory with its economic objectives.

In fact, the OECD is known for spreading diametrically opposite lines of argument about tax competition, for which it has been described as a "schizophrenic" organization.[9] On the one hand, its Committee on Fiscal Affairs supports policies hindering capital movement from high-tax to low-tax countries and supporting high taxes and excessive welfare policies. On the other, OECD economists cannot but recognize that tax competition is a liberating force in the global economy: "the ability to choose the location of economic activity offsets shortcomings in government budgeting processes, limiting a tendency to spend and tax excessively".[10] The OECD even finds that "the root of the [tax avoidance] problem appears in many cases to be high tax rates"[11] and that empirical research suggests "a connection between a large government sector – as measured, for example, by expenditures or taxes as a percent of GDP – and lower economic growth".[12]

While noting the negative empirical link between the state's tax burden and prosperity, the OECD continues to maintain some vagueness on the issue by claiming that it would be hard to show a clear link between public spending and economic growth. Paradoxically, this contradiction doesn't hold in light of the OECD's own extensive research. By examining 21 countries on a period ranging from 1970 to 1998, the OECD's economists find that a rise in the tax share reduces the level of wealth production. The weight of the state, measured by the tax burden or by public spending, exerts a negative impact on private capital accumulation, "both directly

[8] The OECD now mainly uses the term "harmful tax practices".
[9] Daniel J. Mitchell, "Paris, Taxes", *TCS Daily*, May 19, 2004.
[10] OECD Economic Outlook, 1998, p. 166.
[11] Ibid., p. 157.
[12] Ibid., p. 159.

and indirectly", that is, both by the taxes that it implies and by the disincentives it creates.[13]

It therefore appears that the OECD maintains an inconsistent political message, in line with the expectations of the large states that finance it[14] and in contradiction with its own economic research. The goal of the Committee on Fiscal Affairs, consisting mainly of lawyers from the member states' tax administrations, appears to be mostly to offer a justification for the high-tax states' fiscal protectionism, based on the arbitrariness typical of tax legalism, in full ignorance of or indifference to the economic research on the issue.

The arbitrary nature of the OECD's fight against "harmful tax competition" and "tax havens" is also reflected in its focus on the attractiveness of tax systems. Actual state interventions in the economy, especially in the form of subsidies, particularly appreciated by high-tax states, have been utterly ignored by the Committee on Fiscal Affairs. Its conclusions, apart from having no economic grounds, can therefore only lead to incorrect recommendations, since it ignores the real distortions caused in the economy by government activism.

Even without taking into account the massive interventions under the heading of "stimulus plans" in the context of the current crisis, many OECD member states, and particularly EU member states, make extensive use of state subsidies to businesses, which by nature distort market competition. Although the EU's competition policy in theory forbids state subsidies, the same organisation's policy on state aid allows numerous exceptions that are deemed to be compatible with the Single European Market. Aid is not only allowed in the area of taxes, but in non-tax areas as well. For instance, subsidies can be awarded to businesses in order to develop specific economic sectors or to encourage the development of small and medium-sized enterprises. Significantly, 65% of state subsidies in the EU go to the manufacture and services sectors and only 26% go to agriculture (where state support is generally well known); the remainder goes to coal industry (6%) and transportation (2%). The EU seeks to further centralize state aid policy, while widening the possibility to grant state aid in sectors deemed important. At the same time, with its Code of Conduct for business taxation the European Commission has sharply restricted the member states' leeway in tax matters.[15] The OECD's Committee on Fiscal Affairs does not dwell on those aspects.

Countries such as Switzerland, however, tend to favor a business-friendly tax framework and be less inclined to provide direct state aid to companies, which, as the EU's experience tends to show, is often a source of corruption, privileges or rent-seeking. The Swiss government notes that "tax competition offers the possibility to submit not only private companies to competition on the market of goods and factors

[13] Andrea Bassanini and Stefano Scarpetta, "The Driving Forces of Economic Growth: Panel Data Evidence for the OECD Countries", OECD Economic Studies No. 33, 2001/II, p. 35.
[14] Germany, the UK and France finance together 24% of the OECD's budget, les US 25%, while Switzerland only 1.5% and Luxembourg only 0.1%, for instance. Source: OECD Annual Report, 2008.
[15] "State aid to companies: company taxation and tax competition - developments in the European Union", Swiss Federal Council report, November 2007.

of production, but also to submit states and governments to a competition between different systems. This fosters innovation in the public sector and incites states to provide services as efficiently as possible".[16]

On the occasion of Switzerland's abstention on the OECD report on "harmful tax competition", the Swiss authorities had already noted that tax competition "discourages governments from adopting confiscatory regimes that hamper entrepreneurial spirit and hurt the economy, and it prevents alignment of tax burdens at the highest level."[17]

[16] Ibid., p. 53.
[17] "Harmful Tax Competition: An Emerging Global Issue", OECD report, 1998, p. 76.

The importance of tax competition

It is worth remembering that the western world owes its historical development to the diversity and scattering of political power. The competition between political systems and the absence of centralization have been decisive factors for the Renaissance, the Enlightenment, the Industrial Revolution and the great prosperity that ensued for Europe.[18] Following the fall of Rome, Europe's political fragmentation allowed productive individuals to "vote with their feet", taking their capital with them. With the division of authority, political dissent could develop, leading to the emergence of free cities and parliaments, curtailing predatory taxation and leading to similar progress elsewhere. The OECD's current efforts are therefore antinomic to the very conditions that led to the West's exceptional success in comparison with other civilizations, including those that were previously more advanced technologically.[19]

By restricting the states' capacity to indefinitely raise the tax burden, the diversity of jurisdictions and systems unquestionably contributes to greater prosperity. The most obvious consequence of tax competition is its beneficial impact on saving, since lower taxes encourage capital accumulation. This in turn leads to more investment, more jobs and more economic well-being.

Beyond its beneficial effects on prosperity by limiting tax pressure, tax diversity enables the implementation of new practices and innovative ideas. This possibility offered by competition is all the more important in a world that more often than not transcends national boundaries: the need for individual, temporary and custom-tailored solutions is on the rise, while the need for restrictive measures applying equally to all is declining. Tax diversity allows this evolution implied by progress to expand. There are no "economies of scale" in tax matters: in general, the closer political decisions are taken, the easier it is for residents to move to another jurisdiction near their current home, and the more public policies match the residents' actual needs and preferences.

Tax diversity is first and foremost an essential condition for the preservation of individual freedoms. Competition tends to restrict the predatory potential of the territorial monopoly on the use of force that the state enjoys. While private sector services must meet with consumer approval, this is not true for public activities, which are financed by the coercion of taxes, with no freedom of choice, no incentive to improve the relationship between their cost and their quality and with no efficient antidote against possible excesses. The existence of small, open and competing jurisdictions therefore constitutes the best guarantee of restricting the state's natural capacity to abuse its power. Even in its relatively mild versions, with separated and

[18] See David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some Are So Poor*, New York, Norton, 1998, pp. 36-39, as well as Nathan Rosenberg and L.E. Birdzell, Jr., *How the West Grew Rich: The Economic Transformation of the Industrial World*, New York, Basic Books, 1986, pp. 136-139.

[19] For instance in comparison with China; see *How the West Grew Rich*, op. cit., pp. 137-138.

relatively restricted powers, the state tends naturally to ceaselessly extend its areas of intervention and the intensity of its hold over society. Nothing less than an individual's rights on the fruits of his labor and his property in general are thus better protected thanks to tax competition. By placing limits on state confiscations, tax diversity recognizes the fact that all wealth must be created through individual effort: even the most abundant natural resources have no intrinsic value, they acquire value only when someone finds a use for them. The process of wealth creation necessarily implies that no one but the producer can have any claim on something which would not exist without his decision to undertake a productive activity and produce it.[20] Hence the imperative of justice to restrict the taxing power of states.

Nevertheless, while it is indisputable that tax competition is a powerful tool against excessive taxation, it should not be considered as equivalent to market competition: in the private sector, competition implies that any producer and any consumer can trade, wherever they are. This is especially true in a world in which trade costs have significantly dropped while information is usually available in real time from anywhere. Individuals can thus exercise their freedom of choice with no restriction. In tax matters, however, the individual is subjected to a monopolistic coercive power at his place of residence.[21] This distinction underlines once more the necessity for as great a number as possible of small, independent jurisdictions enabling residents to "vote with their feet".

[20] See Friedrich Hayek, "'Social' or Distributive Justice", in Chiaki Nishiyama and Kurt R. Leube, eds., *The Essence of Hayek*, Stanford, Hoover Institution Press, 1984, pp. 62-105.

[21] Pascal Salin, "The Case Against 'Tax Harmonisation': The OECD and EU Initiatives", in Hannes H. Gissurarson and Tryggvi Thor Herbertsson, eds., *Cutting Taxes to Increase Prosperity*, Centre for Social and Economic Research, 2007, pp. 81-82.

The role of “tax havens”

The “tax havens” denigrated by the OECD in the name of high-tax states’ governments do not appear to be precisely defined; they include relatively low-tax jurisdictions as well as those with special rules for some operations or extensive financial privacy, or those refusing to apply the laws of other jurisdictions on their own territories.[22]

Due to the territorial monopoly of states, tax rates tend in most countries to be well above what they should be according to the residents’ needs and preferences. If this were not the case, the emergence and use of “tax havens” would not have been likely. Moreover, research shows that “tax havens” do not prevent states from providing the services that are actually requested by their residents, but play at most a preventive or corrective role in the face of excessive taxation. In general, tax competition from “tax havens” leads to a better balance between public services and the tax burden.[23] It does not lead to an unbridled fight towards zero taxation and does not endanger public services and investments, as its opponents would like to make us believe.

From an economic perspective, “tax havens” and the practices that are usually associated with them ease capital accumulation and improve economic prosperity in “tax havens” as well as in the countries where the capital is repatriated to be invested in factors of production. “Tax havens” therefore increase the efficiency of international capital markets and thus the efficiency of capital allocation to the most productive investments, thereby contributing to raise living standards.[24] “Tax havens” therefore benefit all residents, whether they make use of them directly or not. They serve to channel capital and avoid double or even triple taxation in high-tax countries and lead to higher prosperity in those very states. They are useful to limit excessive taxation of productive resources and reduce the waste and dissipation characteristic of public management, which is not subject to the discipline of market competition, in particular in large centralized states. Despite the positive effects of “tax havens”, high-tax governments fight them because of the limits they set on their power to raise discretionarily the tax pressure on the most productive residents. Demagogical justifications put forward in public opinion, such as “the financing of schools”, do not hold in light of a critical analysis.

Apart form their economic role, “tax havens” also exert a function in the preservation of individual rights against all sorts of oppression other than predatory taxation. The higher levels of confidentiality allow for the protection of people living in deficient jurisdictions that are unable to enforce fundamental rights that would be

[22] Jurisdictions such as Andorra, the Cayman Islands, Liechtenstein, Monaco, but also, depending on the definition used, Luxembourg, Switzerland or Austria, are traditionally considered “tax havens”.
[23] See on this Lars P. Feld, Gebhard Kirchgässner and Christoph A. Schaltegger, “Decentralized Taxation and the Size of Government: Evidence from Swiss State and Local Governments”, CESifo Working Paper No. 1087, 2003; Alberto Alesina, “The Size of Countries: Does it Matter?”, Harvard Institute of Economic Research Working Paper No. 1975, 2002.
[24] Richard Teather, *The Benefits of Tax Competition*, Institute of Economic Affairs, 2005, p. 32.

self-evident in a civilized society. Corruption, expropriation, crime and the persecution of various minorities remain endemic risks in most of the world.[25] In such cases, better protection of financial privacy in a "tax haven" can actually prevent the unwarranted loss of legitimate property and even save lives. In this context, "tax havens" are essential safeguards for fundamental freedoms as well as rights as essential as the right to live.

The refusal to subject oneself unconditionally to excessive taxation can also be legitimate in states deemed "free" or "democratic", especially in a context in which welfare states generate unlimited public debts and promises of unfinanced future benefits and cause growing parallel or underground economies. It can be just as legitimate to wish to avoid confiscatory marginal tax rates or taxes that are discriminatory and infringe on basic property rights. These questions cannot be answered by the legalistic approach of most high-.tax governments, not least because the governance structure of large centralized states often resembles an oligarchy: the policy differences between the largest parties are negligible and the residents' actual choice insignificant. The idea that representative democracy ensures a guarantee of legitimacy is a naïve point of view which ignores the coercive nature of state action. The state itself is nothing but an organization made up of human beings prone to pursuing their own electoral, financial or other interests.[26] In order to stay in power, governments tend to support policies leading to present benefits, at the price of future costs harder to identify immediately and whose burden can be shifted upon future taxpayers through indebtedness. Both theory and practice suggest that the only consequence to be expected from an overall weakening of financial privacy is a rise in taxes for everyone.[27]

[25] The yearly report "Freedom in the World 2008", published by Freedom House, estimates that only 46% of the world's population live in countries that can be considered free. See also Daniel J. Mitchell, "The Moral Case for Tax Havens", The Liberal Institute of the Friedrich Naumann Foundation, 2006.
[26] Geoffrey Brennan and James M. Buchanan, *The Power to Tax: Analytical Foundations of a Fiscal Constitution*, Indianapolis, Liberty Fund, [1980] 2000, pp. 10-11.
[27] Thierry Afschrift, "Réflexions sur l'avenir du secret bancaire", Institut Constant de Rebecque, 2009.

Tax oppression index

The tax oppression index[28] evaluates the 30 OECD member states on three complementary dimensions quantified by 18 representative criteria, on the basis of OECD and World Bank data. The index enables relevant conclusions about the tax burden and individual rights among those countries.

Tax attractiveness

- Total tax burden as percent of GDP
- Public debt as percent of GDP
- Standard VAT rates
- Corporate income tax rates
- Top marginal personal income tax rates
- Tax autonomy of sub-central administrations

Public governance

- Voice and accountability
- Political stability and absence of violence or terrorism
- Government effectiveness
- Regulatory quality
- Rule of law
- Control of corruption

Financial privacy

- Bank secrecy reinforced by statute
- Statutory confidentiality or secrecy provisions prohibiting or restricting disclosure of ownership, identity or accounting information
- Tax information exchange agreements
- Large scope information exchange
- Information exchange in all tax matters
- Bank information exchange in all tax matters

[28] The term “tax oppression” was chosen in consistency with Article 2 of the Declaration of the Rights of Man and of the Citizen, dating to August 26, 1789, which states that “The aim of all political association is the preservation of the natural and imprescriptible rights of man. These rights are liberty, property, security, and resistance to oppression.”

Results

Pays	Tax attractiveness index	Public governance index	Financial privacy index	**Tax oppression index**
Italy	3.2	7.0	1.7	6.0
Turkey	3.6	5.0	3.3	6.0
Poland	3.9	6.6	1.7	5.9
Mexico	5.1	4.7	2.5	5.9
Germany	3.1	9.1	0.0	5.9
Netherlands	3.2	9.3	0.0	5.8
Belgium	3.4	8.9	0.8	5.6
Hungary	3.8	7.6	1.7	5.6
France	3.1	8.5	1.7	5.6
Greece	3.3	7.0	3.3	5.5
United Kingdom	3.4	9.0	1.7	5.3
United States	4.0	8.4	1.7	5.3
Norway	3.5	9.6	1.7	5.1
Portugal	3.2	8.2	3.3	5.1
Czech Republic	3.9	7.6	3.3	5.1
Australia	5.6	9.2	0.0	5.1
Spain	3.9	7.7	3.3	5.0
Japan	4.9	8.5	1.7	5.0
Sweden	4.0	9.7	1.7	4.9
Finland	3.8	9.8	1.7	4.9
Korea	4.8	7.3	3.3	4.9
Denmark	4.4	9.6	1.7	4.8
New Zealand	4.6	9.7	1.7	4.7
Ireland	5.3	9.3	1.7	4.6
Iceland	5.1	9.8	1.7	4.5
Slovakia	6.0	7.4	3.3	4.5
Canada	5.9	9.3	1.7	4.4
Austria	3.1	9.4	5.0	4.2
Luxembourg	5.0	9.7	5.0	3.4
Switzerland	6.0	9.8	8.3	2.0

Notes on data and methodology used

Tax attractiveness index

Methodology: the percent values have been translated by an index on a scale from 10 to 0, the lowest value of all OECD countries being used as the benchmark for the first five criteria, the highest for the last criterion. The tax attractiveness index represents the mean of the six criteria's indexes (or of all criteria used for a given country), on a scale from 10 to 0.

Data source: OECD Database

- Total tax burden as percent of GDP

  Total tax receipts as percent of nominal GDP, 2006

- Public debt as percent of GDP

  Gross financial commitments of public administrations as percent of nominal GDP, 2008

  This criterion was not used for Mexico and Turkey.

- Standard VAT rates

  Standard VAT rate or sales tax rate, 2009

  This criterion was not used for the United States.

- Corporate income tax rates

  Corporate income tax rates aggregated from central state and federated states rates, 2008

- Top marginal personal income tax rates

  Top marginal personal employee income tax rates, aggregated from central state and federated states rates, 2007

- Tax autonomy of sub-central administrations

  Sub-central administrations tax receipts as percent of total tax receipts, 2002

  This criterion was not used for the United States, Hungary, Ireland, Luxembourg, New Zealand and Slovakia.

Public governance index

Methodology: the public governance index represents the mean, translated by a scale of 10 to 0, of the World Bank indexes' criteria on a scale from 100 to 0.

Data source: World Bank, Worldwide Governance Indicators, 2007

- Voice and accountability

  Extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

- Political stability and absence of violence or terrorism

  The likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.

- Government effectiveness

  The quality of public services, the capacity of the civil service and its independence from political pressures; and the quality of policy formulation.

- Regulatory quality

  The ability of the government to provide sound policies and regulations that enable and promote private sector development.

- Rule of Law

  The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police, and the courts, as well as the likelihood of crime and violence.

- Control of Corruption

  The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests.

Financial privacy index

Methodology: the financial privacy index represents a number of points (up to 2) for each criterion, the total of which for the six criteria is translated on a scale from 10 to 0.

Data source: OECD, Global Forum on Taxation, 2008

- Bank secrecy reinforced by statute

  Banker’s professional secrecy mandated by law

- Statutory confidentiality or secrecy provisions prohibiting or restricting disclosure of ownership, identity or accounting information

  Clauses on the duty of confidentiality in law

- Tax information exchange agreements

  Existence of such conventions allowing the exchange of information upon request

- Large scope information exchange

  Possibility to exchange information used to apply or execute tax law provisions (contrarily to the limited exchange of information required in order to correctly apply a double taxation convention, for instance)

- Information exchange in all tax matters

  Possibility to exchange information to administer and execute tax laws both in civil and penal tax matters

- Bank information exchange in all tax matters

  Possibility to obtain and exchange bank information to administer and execute tax laws both in civil and penal tax matters

Tax oppression index

Methodology: the tax oppression index corresponds to the unweighted mean, translated on a scale from 0 to 10, of the tax attractiveness index, the public governance index and the financial privacy index described above.

On the basis of the median index, three groups of countries are distinguished: countries with mild tax oppression (score up to 4.4), countries with medium tax oppression (score up to 5.4), and countries with strong tax oppression (score of 5.5 and above).

Important note: The tax oppression index represents a value relative to other countries under existing conditions; a score suggesting mild tax oppression should not be interpreted to draw conclusions about the need to proceed to reforms of the tax system or to reduce the tax burden, which may also be high in “mildly oppressed” countries.

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