

Corporate Income Tax Rates around the World, 2015

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Key Findings

- The United States has the third highest general top marginal corporate income tax rate in the world at 39 percent, which is the same as Puerto Rico and is exceeded only by Chad and the United Arab Emirates.
- The worldwide average top corporate income tax rate (accounting for 173 countries and tax jurisdictions) is 22.9 percent, 29.8 percent weighted by GDP.
- By region, Europe has the lowest average corporate tax rate at 18.7 percent (26.1 percent weighted by GDP). Africa has the highest simple average at 28.77 percent.
- Larger, more industrialized countries tend to have higher corporate income tax rates than developing countries.
- The worldwide average corporate tax rate has declined since 2003 from 30 percent to 22.9 percent.
- Every region in the world has seen a decline in its average corporate tax rate in the past twelve years.

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Introduction

It is well known that the United States has the highest corporate income tax rate among the 34 industrialized nations of the Organisation for Economic Co-operation and Development (OECD).¹ However, it is less well known how the United States stacks up against countries throughout the entire world. Expanding the sample of countries and tax jurisdictions to 173, the U.S.'s corporate tax rate of 39 percent is the third highest in the world, tied with Puerto Rico and lower only than the United Arab Emirates and Chad, which have rates of 55 and 40 percent, respectively. The U.S. tax rate is 16 percentage points higher than the worldwide average of 22.8 percent and a little more than 9 percentage points higher than the worldwide GDP-weighted average of 29.8 percent. As with the average tax rate among industrialized nations, the average worldwide tax rate has been declining in 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 173 Nations

The top marginal corporate tax rate among the 173 countries surveyed was the United Arab Emirates,² which has a top rate of 55 percent (Table 1).³ This is followed by the African nation Chad (40 percent). The United States, with a combined top marginal tax rate of 39 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, along with Puerto Rico. In contrast, the average across all 173 countries is 22.9 percent, or 29.8 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, two of the top twenty countries are in Asia, and one is in Europe. The nine remaining countries are in South and North America.

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

1 OECD Tax Database, Table II.1 – *Corporate income tax rates: basic/non-targeted*, May 2015, <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 PwC, *Worldwide Tax Summaries: Corporate Taxes 2013/14*, <http://www.pwc.com/gx/en/tax/corporate-tax/worldwide-tax-summaries/assets/pwc-worldwide-tax-summaries-corporate-2013-14.pdf> and *Taxation in the United Arab Emirates*, Galadari & Associates, http://www.galadarilaw.com/uploads/brochures/172113_Tax.pdf.

3 Data on top marginal corporate tax rates are from multiple sources: Deloitte, *Deloitte International Tax Guides*, 2014, <https://dits.deloitte.com/Administration/ManageHomePage/Popup.aspx?ChildPage=Country%20Guides%20and%20Highlights>; PwC, *Worldwide Tax Summaries – Corporate Taxes 2015/16*, <http://www.pwc.com/gx/en/tax/corporate-tax/worldwide-tax-summaries/downloads.jhtml>; KPMG corporate tax rate table, <http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx>; and the OECD Tax Database, Table II.1 – *Corporate income tax rates: basic/non-targeted*, May 2014, <http://www.oecd.org/tax/tax-policy/tax-database.htm>.

4 GDP calculations are from the Department of Agriculture International Macroeconomic Data set, December, 2014, <http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx#.U-pNdffdVMc>.

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
Puerto Rico	39.0%	North America
United States	39.0%	North America
Argentina	35.0%	South America
Congo, The Democratic Republic Of The	35.0%	Africa
Equatorial Guinea	35.0%	Africa
Malta	35.0%	Europe
Sudan	35.0%	Africa
Virgin Islands, U.S.	35.0%	North America
Zambia	35.0%	Africa
India	34.6%	Asia
Sint Maarten	34.5%	North America
Suriname	34.5%	South America
France	34.4%	Europe
Brazil	34.0%	South America
Venezuela	34.0%	South America
Belgium	34.0%	Europe
Saint Lucia	33.3%	North America
Cameroon	33.0%	Africa
Worldwide Average	22.9%	N/A
Worldwide Weighted Average (by GDP)	29.8%	N/A

Among countries with corporate income taxes, Turkmenistan and Uzbekistan have the lowest top marginal rate at 8 percent (Table 2). Nine countries have top rates of 10 percent, most of them small nations in Europe (Bosnia and Herzegovina, Macedonia, Gibraltar, Andorra, Bulgaria). The only major industrialized nation⁵ among the bottom 20 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
Albania	15.0%	Europe
Georgia	15.0%	Asia
Iraq	15.0%	Asia
Cyprus	12.5%	Europe
Ireland	12.5%	Europe
Liechtenstein	12.5%	Europe
Macao	12.0%	Asia
Oman	12.0%	Asia
Andorra	10.0%	Europe
Bosnia And Herzegovina	10.0%	Europe
Bulgaria	10.0%	Europe
Gibraltar	10.0%	Europe
Kyrgyzstan	10.0%	Asia
Macedonia, The Former Yugoslav Republic Of	10.0%	Europe
Paraguay	10.0%	South America
Qatar	10.0%	Asia
Timor-Leste	10.0%	Asia
Montenegro	9.0%	Europe
Turkmenistan	8.0%	Asia
Uzbekistan	8.0%	Asia
Worldwide Average	22.9%	N/A

5 Defined as a member of the Organisation of Economic Co-operation and Development (OECD).

Of the 173 countries surveyed, there are currently 10 countries without a corporate income tax (table 3). Most countries without corporate income taxes are small, island nations. Four of the ten countries are islands known for having no corporate income tax: the Bahamas, the Cayman Islands, the British Virgin Islands, and Bermuda. Bahrain has no general corporate income tax, but has a targeted corporate income tax on oil companies.⁶

Table 3.
Countries without General Corporate Income Taxes

Country	Region
Bahamas	North America
Bahrain	Asia
Bermuda	North America
Cayman Islands	North America
Guernsey	Europe
Isle Of Man	Europe
Jersey	Europe
Vanuatu	Oceania
Virgin Islands, British	North America
Wallis And Futuna	Oceania

Regional Variation in Corporate Tax Rates

Corporate tax rates vary significantly between worldwide regions (Table 4). Africa's average top marginal corporate income tax rate of 28.77 percent is the highest among all regions. Europe has the lowest average tax rate at 18.7 percent, 4 percentage points below the worldwide average of 22.9 percent.

Weighted by gross domestic product, North America stands as the region with the highest average top marginal corporate tax rate at 37 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 percent. Europe also has the lowest weighted average top marginal corporate tax rate at 26.1 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 7 largest nations in the world by net wealth, has an average corporate income tax rate of 30.7 percent (33.96 percent weighted). The 34 nations of the OECD have an average corporate tax rate of 25 percent (31.6 percent weighted). The BRICS (Brazil, Russia, India, China, and South Africa) have an average rate of 28.32 percent (27.3 percent weighted).

⁶ The rate can be as high as 46 percent. Deloitte, *International Tax Guide*, 2014.

Table 4.

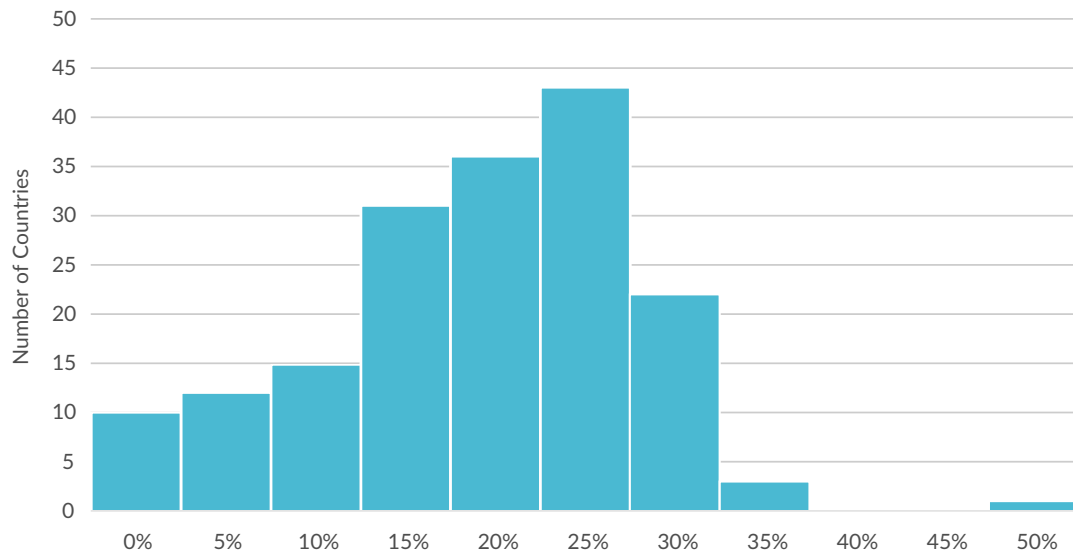
Average Top Marginal Corporate Tax Rate by Region or Group

Region	Average Rate	Weighted Average	Number of Countries
Africa	28.77%	28.08%	33
Asia	20.86%	26.67%	44
Europe	18.70%	26.10%	46
North America	24.71%	37.04%	27
Oceania	21.55%	27.04%	11
South America	27.92%	32.12%	12
G7	30.70%	33.96%	7
OECD	24.99%	31.68%	34
BRICS	28.32%	27.30%	5
EU	22.37%	26.78%	28
G20	28.18%	31.25%	19
World	22.86%	29.75%	173

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. The following chart (Chart 1) shows the distribution of the corporate tax rates among 173 countries and tax jurisdictions in 2015. A plurality (43) of the countries in the world have corporate income tax rates between 25 and 30 percent. 22 countries have tax rates between 30 and 35 percent. The United States is one of only four countries in the world that has a corporate tax rate over 35 percent. Sixty-eight countries have corporate tax rates between 0 and 20 percent.

Distribution of Worldwide Corporate Tax Rates, 2015



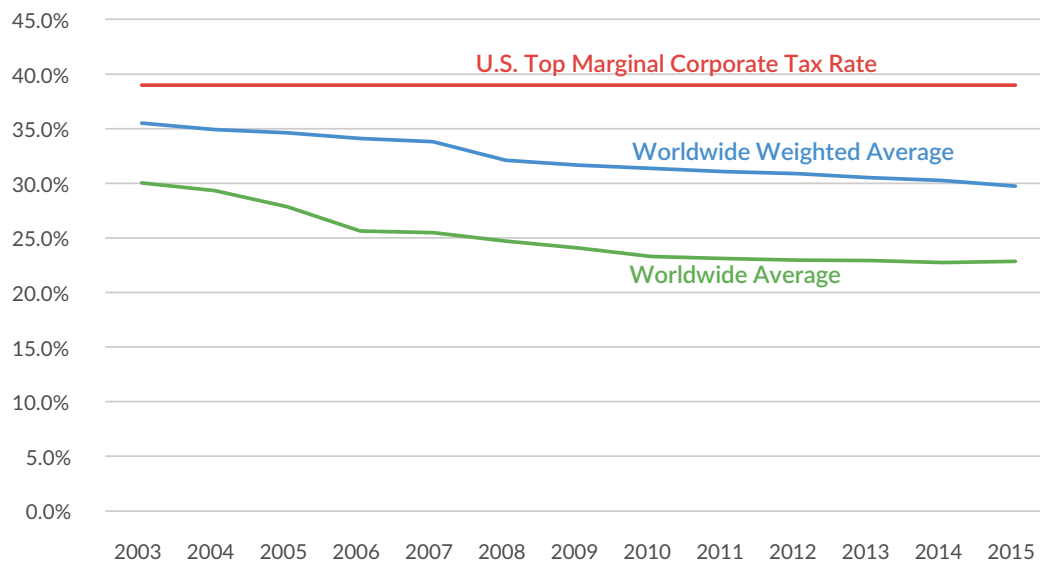
Source: Tax Foundation calculations based on data from the World Bank, OECD, and KPMG.

Corporate Tax Rates around the World Have Fallen in the Past Decade

Reductions in corporate income tax rates in the past twelve years have occurred across the globe, reducing considerably the worldwide average tax rate (Chart 2). In 2003, the worldwide average was approximately 30 percent. By 2015, the average rate had declined by a little more than 7 percentage points to 22.8 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 world GDP, continues to have a high 39 percent corporate income tax rate that has not changed in over 10 years. Nonetheless, the worldwide GDP-weighted average tax rate has declined from 35.5 percent to 29.8 percent in the last 10 years.

Top Marginal Corporate Tax Rates Have Declined in the Past Decade

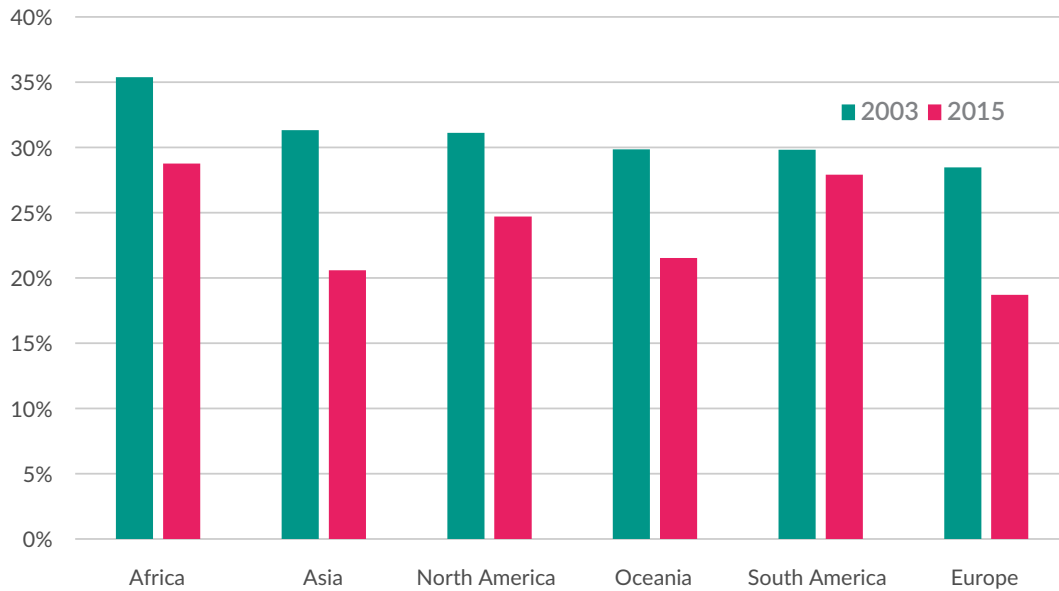


Source: Tax Foundation calculations based on data from the World Bank, OECD, and KPMG.

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

The largest absolute drop in average top marginal corporate tax rates was in Asia. The average declined from 31 percent in 2003 to 20.6 percent in 2015, approximately a 10 percentage point decline. South American countries reduced their corporate income tax rates the least, from 29.9 percent to 27.92 percent over the last twelve years.

Top Marginal Corporate Tax Rates Throughout the World Have Declined in the Past Twelve Years



Note: Simple averages used.

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

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.