Frequently Ask Questions

Embargoed: 18:00 CEST 28 May 2019

The following content will be made available on the Corporate Tax Haven Index website after the embargo lifts and website goes live. Because of this, some of the links below will not work until the embargo lifts.

1. Our index

What is the Corporate Tax Haven Index?

In a nutshell

The **Corporate Tax Haven Index** is a ranking of the world's most important corporate tax havens, according to how much each jurisdiction contributes to helping the world's multinational enterprises escape paying tax. It is designed to complement the Tax Justice Network's Financial Secrecy Index, and to serve as a politically neutral tool for people who want to address the problems of corporate tax evasion and avoidance.

There is no clear dividing line between countries that are corporate tax havens, and countries that aren't. Instead, countries lie on a spectrum of 'haven-ness.' Our index shows this clearly.

We created our index by first combining two scores for each jurisdiction.

The "**haven score**" looks at how aggressively the jursidiction has degraded its laws and rules -- tax laws, secrecy facilities, and much else – to attract multinational enterprises' profit-shifting activity. Given the many different schemes and tricks they use, we create each country's haven score from 20 different indicators. The other score is a "**scale weight**," assessing how much activity multinationals have in each country.

These two scores are combined with a mathematical formula, to arrive at a final index score, which is the basis for our ranking.

We explain the weightings here, we provide full details of the haven scores and how we calculate each indicator here, and the full methodology is here.

A wide geographical focus

Our first Corporate Tax Haven Index, published in 2019, focuses on 64 jurisdictions, including several that are not traditionally considered to be corporate tax havens, such as China, France and Germany.

Each jurisdiction also has two stand-alone reports associated with it. Each **country report** provides a basic overview, highlighting its most important relevant features for the purposes of the Corporate Tax Haven Index. A list of all country reports is here.

The **database reports** supplement the country reports and are designed for detailed research. They contain a much fuller range of variables and underlying data for each jurisdiction, with detailed sources and references. A full list of database reports is here.

How does the Corporate Tax Haven Index relate to the Financial Secrecy Index?

The Financial Secrecy Index is similar to the Corporate Tax Haven Index in many respects. The world of offshore tax havens and secrecy jurisdictions is an ecosystem, with different jurisdictions providing different facilities to attract mobile financial capital. Some focus on secrecy, others focus on tax-related corporate profit-shifting, others seek to degrade gambling rules to attract shady gambling operations, while others still degrade their financial regulations to attract risky financial activities. Many jurisdictions offer a range of these services.

The Financial Secrecy Index and the Corporate Tax Haven Index measure two of the most important aspects of the offshore world: financial secrecy and corporate profit-shifting (tax avoidance). The two indexes complement each other. Some countries such as Ireland or the Netherlands are fairly transparent and look relatively good in the Financial Secrecy Index – yet they are among the worst perpetrators in the Corporate Tax Haven Index.

The indexes both rest on similar methods. They each combine an 'aggressiveness' score (for the Financial Secrecy Index, it's a **secrecy score**, showing how strong the secrecy rules are, while for the Corporate Tax Haven Index, it's a haven score) with a **scale weighting**, to show how important the jurisdiction is in the tax haven game. These scores are then used to produce an index. An analogy with gun control helps illustrate this. The secrecy or haven scores would be equivalent to how lax a jurisdiction's gun laws are, while the scale weighting would be equivalent to how many guns are sold.

The Financial Secrecy Index focuses mostly on the tools that wealthy *individuals* use to hide their wealth or criminals use to launder their illegal proceeds. The Corporate Tax Haven Index, by contrast, focuses mostly on how *multinational enterprises* escape tax, and secrecy is only one among several elements here (and indeed a few of our secrecy indicators are shared between both indexes.) More important for the Corporate Tax Haven Index are the tax rates, the tools that are used to carve income out of the tax net, and the tools that authorities use to tackle multinational tax avoidance.

What is the 'real' corporate tax rate?

Every country has a "headline" (or statutory) corporate income tax rate. The OECD provides a handy table of these: for example, Luxembourg's headline rate is 26.01 percent, Malta's is 35 percent.

However, multinational enterprises generally pay much lower rates in these jurisdictions.

So the Corporate Tax Haven Index uses the headline rate only as a starting point and for each jurisdiction it analyses the rules and practices to derive a corrected and adjusted measure, the Lowest Available Corporate Tax Rate, or LACIT.

The LACIT is just what its name suggests. For instance, Luxembourg has a 26.01 percent headline rate but secret tax rulings are documented to allow a multinational to pay only a 0.3 percent tax rate, then the LACIT for this jurisdiction will be based on the 0.3 percent rate. Multinationals don't flock to Luxembourg for its headline 26.01 percent rate: they go for its LACIT - among other things.

To see how we calculate the LACIT, click here. The table below shows the headline rate and the LACIT for every jurisdiction surveyed. This table and the underlying database constitutes an important new resource for researchers, who have until now had to rely quite heavily on headline rates, which are misleading at best. To download the table as an Excel file, click here.

Jurisdiction	Statutory tax rate	Rate corrections			Rate adjustments				Lowest available rate
		Size	Sector	Region	Profit retention	Company type	Territorial	Tax rulings	
	Id 505	Id 506	Id 507	Id 541	Id 542	Id 543	Id 544	Id 545	
Andorra	10		2						2
Anguilla	0								0
Aruba	25		10						10
Austria	25								25
Bahamas	0								0
Belgium	29.58							2.958	2.958
Bermuda	0								0
Botswana	22								22
British Virgir	0								0
Bulgaria	10								10
Cayman Islar	0								0
China	25								25
Croatia	18								18
Curacao	22					0			0
Cyprus	12.5								12.5
Czech Repub	19								19
Denmark	22								22
Estonia	20				0				0
Finland	20								20
France	34.43								34.43
Gambia	27								27
Germany	29.8			22.83					22.83
Ghana	25								25
Gibraltar	10						0		0
Greece	29								29
Guernsey	0								0
Hong Kong	16.5						0		0
Hungary	9								9
Ireland	12.5							0.005	0.005
Isle of Man	0								0
Italy	27.8			26.9					26.9
Jersey	0								0
Kenya	30								30
Latvia	20				0				0
Lebanon	17						0		0
Liberia	25								25
Liechtenstei	12.5								12.5
Lithuania	15								15
Luxembourg	26.01							0.3	0.30
Macao	12								12
Malta	35				5				5
Mauritius	15					0			0
Monaco	33.33						0		0
Montserrat	30				0	0			0
Netherlands	25							2.44	2.44
Panama	25						0		0
Poland	19								19
Portugal (Ma	31.5			30					30
Romania	16								16
San Marino	17								17
Seychelles	30		0			25			0
Singapore	17						0		0
Slovakia	21								21
Slovenia	19								19
South Africa	28								28
Spain	25								25
Sweden	22								22
Switzerland	21.1			11.54		2.61			2.61
Taiwan	20								20
Tanzania	30								30
Turks and Ca	0								0
United Arab	0								0
United Kingd	19			19					19
USA	25.8			21					21

Why do we include a scale weight in our index?

The Corporate Tax Haven Index rests on two components: a **haven score**, assessing countries' rules, laws and practices that attract corporate profit-shifting, and a **scale weighting** estimating how much activity multinationals have in each jurisdiction. It mathematically combines the two scores to produce a final **index score** for each jurisdiction, which is the basis for our index.

The weighting is necessary for several reasons.

Our ranking is designed to identify jurisdictions according to their overall global contribution to the problems of corporate tax avoidance, and in spurring the global race to the bottom that is steadily removing the tax burden from multinationals and shifting it onto everyone else's shoulders. So we seek to identify those jurisdictions where reforms to laws and practices would have the greatest effect.

The top 10 jurisdictions in our index, with an average haven score of 88 percent, account for more than 40 percent of the total reported foreign direct investment (which is our proxy for multinational's activity in a jurisdiction). If we ranked jurisdictions only by their haven score, the top 10 would have an average haven score of 100 percent, but they would account for less than 7 percent of the total reported foreign direct investment. (See the ranking based on haven scores only, here).

Some may argue that by including scale weights, our index "punishes" jurisdictions with large financial sectors. But the mathematical formula we use -- see here for details – is designed to reduce the relative importance of the scale weighting in the final index scores. So a jurisdiction that improves its haven score is likely to improve its ranking, whether it hosts lots of foreign direct investment or not.

We reduce the scale weighting for two reasons. First, we want to give jurisdictions an incentive to clean up: the easiest and least painful way to do that is to clean up the haven score. That's why we emphasise it. The other reason is that while the haven scores have a relatively narrow range - **between 39.8 and 100 percent -- the scale weightings diverge massively, between 0.0000016 and 12.9 percent**. So we need to mathematically compress the scale weighting, so that it doesn't dominate the haven score.

More details on the formula and the scale weight are included in the full methodology.

Which jurisdictions are included in the Corporate Tax Haven Index?

The Corporate Tax Haven Index 2019 includes 64 jurisdictions, including most well-known corporate tax havens (eg Bermuda), major financial centres (the US), all countries in the EU and some in Africa as requested by grant conditions that fund this project. In the next publications of the Corporate Tax Haven Index we hope to increase the number of covered jurisdictions.

Some people may be surprised to see countries such as Germany or the United States on our list. In truth, every country provides at least *some* facilities that help multinationals escape tax, so every country lies somewhere in the spectrum between aggressively allowing tax avoidance or preventing it as much as possible.

Each jurisdiction in our index has a detailed **country report**, with basic data. Every jurisdiction also has a detailed **database report,** with underlying sources and references and a wealth of additional details.

Why focus only on multinationals?

The Corporate Tax Haven Index focused only on multinational enterprises: that is, companies with limited liability which have operations in more than one country. We have largely ignored certain important economic actors such as partnerships, trusts, and even individuals. This is for several reasons.

First, the Financial Secrecy Index already covers the secrecy of those other economic actors. This Corporate Tax Haven Index addresses a gap.

Second, an important share of global trade is carried out by multinational corporations, so that's the sector we focus on.

Third, multinational tax avoidance is enormous: running at an estimated $600 billion annually.

Fourth, multinationals are most powerful and aggressive in their lobbying which is driving the race to the bottom (see more here and here).

2. The issues

What is a tax haven?

There is no generally agreed definition of a tax haven, and the term is extremely hard to pin down with any precision. Depending on which aspect we emphasize, we prefer to either speak of a corporate tax haven or a secrecy jurisdiction.

The Corporate Tax Haven Index focuses on corporate tax havens. While the main Corporate Tax Haven Index is created by mathematically combining a haven score with a weighting, the ranking to the right strips out the scale weight and gives a different measure of "haven-ness" – that is, how aggressive each jurisdiction is in trying to attract multinationals' profit-shifting.

Every country in the world has *some* elements that facilitate tax avoidance by multinationals. This may be part of a deliberate strategy to try to attract footloose capital and profit-shifting by multinationals. This may simply be because of omission: for example, the country has not set up the anti-avoidance rules, or the information-sharing and other mechanisms that would reduce its haven score to zero.

Loosely speaking, a secrecy jurisdiction provides facilities that enable people or entities to **escape** (and thus undermine) the laws, rules and regulations of other jurisdictions **elsewhere**, often using secrecy as a prime tool. We think that those two words in **bold** text are key to understanding the phenomenon. You take your money elsewhere to escape the rules you don't like.

Our Financial Secrecy Index which complements the Corporate Tax Haven Index, focuses on what we call *'secrecy jurisdictions'*.

Different jurisdictions have different offshore offerings. The British Virgin Islands, for example, specialises in incorporating offshore companies. Ireland is a corporate tax haven and a haven for laxity in financial regulation but not really a secrecy jurisdiction; Switzerland and Luxembourg offer secret banking, corporate tax avoidance and a wide range of other offshore services. The United Kingdom does not itself offer especially secret banking but it sells an even wider range of offshore services, including lax financial regulation, and it runs a network of secrecy jurisdictions and corporate tax havens like the Cayman Islands. And so on.

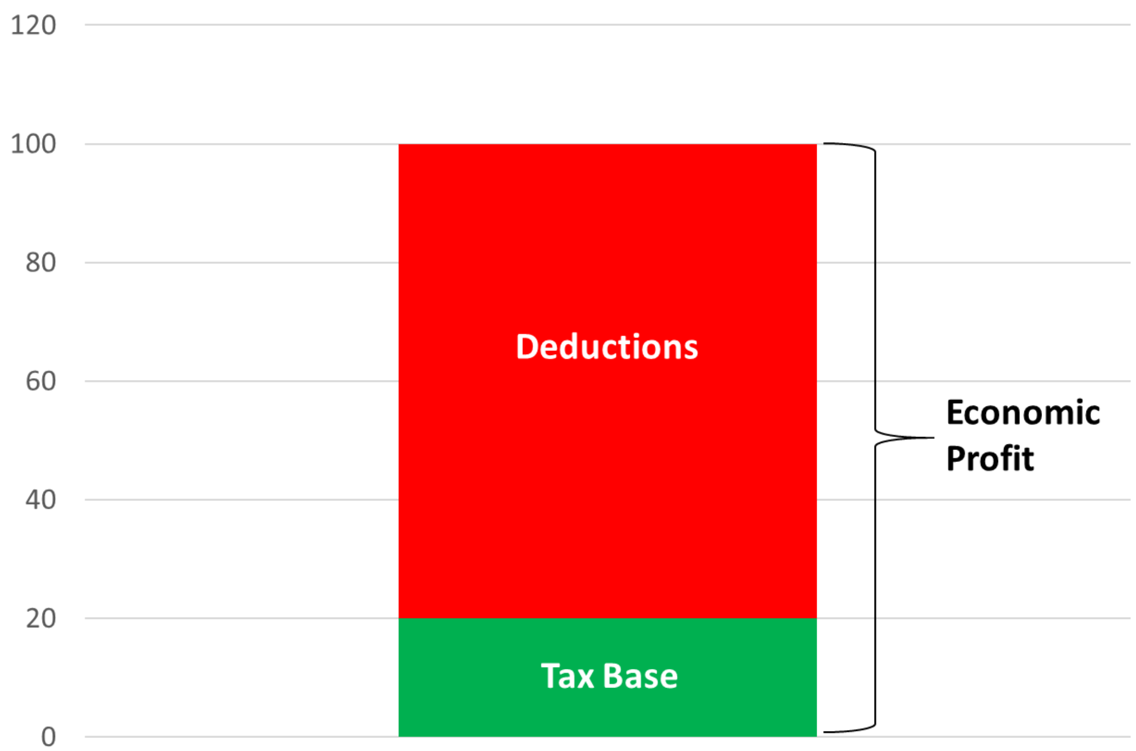
Several international bodies have their own lists of tax havens, which are frequently skewed by political expediency. These lists tend to exclude or downplay large, powerful nations and highlight small, weaker ones. Our own lists, the Financial Secrecy Index and the Corporate Tax Haven Index, are the product of years of exhaustive research into financial secrecy and corporate tax games, and make no concessions to power or influence. It is thus a far more objective list.

What is the tax base?

Corporations generally reduce their effective tax rates in two main ways: reducing the **tax rate** applicable to categories of income, and by shrinking the **tax base**, which is the amount of income that gets subjected to tax (after deductions and exclusions and so on).

An example illustrates this.

Imagine a multinational enterprise that sells information technology services. It has a subsidiary in Country A, which makes $100 million in economic profits (that is, sales minus ordinary costs). The headline corporate tax rate in Country A is 15 percent, so in theory it could pay $15m in tax. However, *economic* profits are not necessarily the same as *taxable* profits. Subsidiary A pays $80 million in royalties to another subsidiary of the same multinational in Country B, for the use of proprietary technology – and Country A allows it to deduct that $80 million against its $100m economic profits, thus shrinking the **tax base** in Country A to just $20 million. This reduces potential tax revenues to a fifth of their potential size, down to $3 million.



Imagine, furthermore, that Country A also applies a special **tax rate** of five percent to the profits of technology companies of this kind, so ultimately the enterprise pays just $1 million in corporate tax, instead of $15 million, through both a reduced tax rate and a shrunken tax base.

Is tax competition bad?

Competition is good, right?

Market competition can be good, but tax 'competition' – which we also sometimes call 'tax wars' – is a completely different beast. And it is **always** harmful.

In markets, firms compete to offer better goods and services at lower prices, and this is generally beneficial. Tax 'competition,' by contrast, is the process by which countries, states or even cities offer tax breaks, subsidies and other facilities to tempt investment or hot money or financial capital from elsewhere. (To get a first sense of how completely different the two processes are, ponder the comparison between a failed *company* (like Toys R Us, which could not compete with Amazon), and a failed *state,* like Syria amid civil war.)

When one jurisdiction offers tax breaks, subsidies and other enticements to wealthy individuals or multinational enterprises, other jurisdictions often follow suit, egged on by private sector bankers, lawyers, accountants and lobbying firms. They will be offering even more attractive loopholes, subsidies and so on.

At a global level, this process degenerates into a race to the bottom. As a result, tax rates on multinationals and on mobile capital fall ever lower, allowing them to free-ride on public services (like the roads they use, the health and education systems that prepare and care for their employees, or the courts that underpin their contracts.) Or, to make up the lost corporate tax revenues, poorer sections of society must pay higher taxes. It is also important to note that the race to the bottom does not stop at zero, as tax cuts and loopholes give way to outright subsidies to try and persuade companies or profits to relocate there. There is literally no limit to which multinational enterprises would like to free-ride off the services paid for by others.

As all this happens, economic inequality rises, and societies and democratic systems are undermined, as citizens perceive one set of easy rules for rich folk and multinationals, and another set of rules for everyone else. The process effectively subsidises unproductive rent-seeking, kills jobs by prioritising capital at the expense of labour, and reduces productivity and economic growth.

Tax wars bite all countries – but hurt developing countries particularly hard.

Tax "competitiveness" is also bad

It is often asserted that it is a good idea for a country to have a "competitive" tax system. It sounds fabulous, and it is easy to persuade people of this. They may consequently support corporate tax cuts and loopholes. However, this argument rests on fallacious reasoning.

One reason is that a corporate tax (or any tax) is not a cost to an economy, but a transfer within it. Tax cuts for corporations provide subsidies to them, at the expense other essential wealth-generating mechanism: public spending on roads or courts or education, and so on. So it is not obvious how corporate tax cuts make any country any more 'competitive' – whatever 'competitive' may mean. This is a complex area, however: for an introduction, see our document Mythbusters: "a competitive tax system is a good tax system."

Further reading

- For more details on tax 'competition' and the race to the bottom, click here.
- For an exploration of the history of the 'tax competitiveness' ideology, see the chapter on Charles Tiebout here and the Fools' Gold blog here.

How does the Corporate Tax Haven Index relate to BEPS?

BEPS stands for Base Erosion and Profit Shifting, which is the main international project, led by the OECD (the club of rich countries,) to try and fix the gaping holes in the international tax system. As we have explained elsewhere, the international tax system isn't fix-able, and seems (as of May 2019) close to falling apart. BEPS is the last international effort to patch up a failed system.

The Corporate Tax Haven Index is an analysis of the current, failing system, and it relies partially on data and analysis the BEPS process has generated, while applying stricter standards. Yet the Corporate Tax Haven Index also identifies and measures the gaps in the BEPS process which were left unaddressed.

Like the Corporate Tax Haven Index, BEPS takes as its starting point the fact that the orgy of international tax avoidance that the system has generated is a bad thing. However, the practical recommendations that have emerged from BEPS are, while an improvement on a rotten international tax system, still far too weak to solve the problems. For that reason, while we consider BEPS standards as a starting point for some of our indicators, we require a higher standard. We go beyond the rather narrow set of "harmful" tax features the OECD has identified, and we take into consideration a broader set of policies that can be abused for tax avoidance elsewhere. For example, our indicators 9 and 10 set a standard for countries to require multinationals to provide country by country reporting, for those reports to be locally filed, and to publish those results. This goes far beyond BEPS' country by country reporting requirements.

The system has failed: radical alternatives are now needed

A number of radical alternatives have been proposed to BEPS.

One of the most popular was a scheme that the Trump administration sought to impose in the United States, but then backtracked, known as the **Destination-Based Cash Flow Tax (DBCFT.)** This has gained quite wide support in some circles, especially from those who in the past have lobbied for lower corporate taxes. It is no exaggeration to say that the DBCFT would be a catastrophic global disaster, especially if a country like the United States were to implement it. This article explains why the DBCFT is so dangerous.

The best approach, endorsed by the Independent Commission for the Reform of International Corporate Taxation (ICRICT), is called Unitary Taxation, with formula apportionment. In a nutshell, this system will take a multinational's total global profits, then allocate (or 'apportion') those profits to the countries where it does business, based on a formula that may take sales, employees and deployment of capital into account, so that profits are allocated to the jurisdictions where the genuine economic substance of its business is located. Tax havens with no real substance would be cut out of the system, since only a tiny portion of a multinational's profits would be allocated to them. For more details, click here. The indicators of the Corporate Tax Haven Index are designed to support a country's shift to a unitary tax approach.

Are all tax incentives bad?

Tax incentives can be good or bad.

Most wealthy countries originally became rich through favouring particular economic sectors, and tax incentives have on occasion played a useful role in some countries' development. Some also provide tax incentives to support social or environmental goals, such as protecting the environment or promoting gender or racial equality.

However, many if not most modern tax incentives are harmful, both for the jurisdiction providing it and for other countries which suffer "spillovers" from these incentives.

Many countries, particularly developing countries, have been persuaded that offering tax incentives will attract investment to their economies. However, as the IMF and others have shown, these incentives usually don't attract the investment, but simply lower the tax payments of multinationals which were going to invest and operate in that jurisdiction anyway. Survey after survey shows that what multinationals really want in places where they invest is good infrastructure, stable politics, a healthy and educated workforce, and access to markets. Tax levels usually come some way down the list. In the words of Jim O'Neill, the former chairman of Alcoa (and George W. Bush's Secretary Treasury):

> *"I never made an investment decision based on the tax code. . . If you are giving money away I will take it. If you want to give me inducements for something I am going to do anyway, I will take it. But good business people do not do things because of inducements."*

The IMF and others differentiate between "**cost-based**" tax incentives, where exemptions are granted on the basis of job creation, say, or real capital investment; and "**profit-based**" incentives which are granted simply because the company is engaged in specific for-profit activities.

In general terms, all the research shows that cost-based incentives can in some cases be effective in achieving national goals, while profit-based incentives are ineffective and generally harmful, needlessly giving away tax revenues. Cost-based incentives are more likely to attract new factories or job-creating activities, whereas profit-based ones are more likely to attract profit shifting.

Usually, tax incentives are offered for all the wrong reasons. Frequently, they are offered by investment offices that have nothing to lose from lower tax revenues - that's another department's problem - but which will be quick to take credit for any investment that takes place. It is very rare that these incentives are scrutinised or audited, to see if they have achieved their purpose. Even in the cases where it can be shown that a tax incentive did bring an investment, there is almost never a cost-benefit analysis weighing the local investment benefits against losses in other areas, such as lost tax revenues due to other players taking advantage of the incentive, or the loss of faith in public officials as foreign multinationals are seen to be free-riding on local taxpayers.

Often, policy makers are bribed or otherwise induced by multinationals and their agents to adopt unnecessary incentives, which deliver private rewards but much larger public losses.

In general terms, tax incentives should be treated with extreme caution.

Is the corporate income tax good or bad?

The corporate income tax has come under heavy attack, not just from corporate lobbyists, but also from some economists who call it "inefficient". They are wrong: the corporate income tax is one of the most precious and important of all taxes. It serves many socially vital functions. Here are a few.

- It raises revenue for schools, hospitals and the rule of law. It is especially important for poorer countries, which struggle to raise taxes from impoverished citizens.
- It holds the whole tax system together. Without it, rich folk will opt to receive their income into low-tax or zero-tax corporate structures, so as to defer or escape the income tax. (In fact, this was one of the main reasons why corporate taxes were originally introduced, around World War 1).
- It rebalances distorted economies. Around the world, multinationals are hoarding large amounts of cash, returning it to mostly wealthy shareholders, or engaging in monopolising mergers or share buybacks, rather than investing it in productive activities. Corporate taxes transfer wealth from a sector (corporations) that is under-investing, to a sector whose very purpose is to invest.
- It reduces "rent-seeking" — that is, wealth extraction from businesses as opposed to genuine wealth creation. That's because wealth extraction tends to be so much more profitable than the hard slog of wealth creation. In fact, financial engineering using corporate tax havens is a form of rent-seeking.

Many of those who seek to measure these issues suffer from a great blind spot, which is that while the costs of corporate taxes are relatively easy to measure, in terms of their impacts on corporate profits, changed investment patterns and so on — many of the benefits of those taxes, such as those outlined above, are harder to quantify. As a result, the costs get highlighted while many of the benefits get airbrushed out. For more on this crucial issue, see Ten Reasons to Defend the Corporate Income Tax, and related articles.

Why 35%? You are proposing confiscatory taxes!?

It isn't up to us to tell countries what their tax rates should be. However, once a country's tax system starts undermining the tax systems of other countries (negative spill-over effect), then we oppose it.

For the purposes of the Corporate Tax Haven Index, we assess countries on a scale that ranges from zero to the current highest rate operated by a democracy, which is 35 percent – the statutory rate in one of the largest democracies, India.

In a world of largely unfettered capital mobility, and under the current principles for taxing multinational companies (the arm’s length principle), a lower rate than the rate a democracy has set can lead to profit shifting and spillover effects which undermine the democratic choices by the electorate of that democracy by artificially reducing the tax base.

Where a jurisdiction's rate is lower, the Corporate Tax Haven Index assesses it on a pro rata basis. So a country with the relevant tax rate at 0 percent, will get a 100 percent (bad) haven score. A country with a rate of 21 percent will get a 40 percent score (because 21 is 60 percent of 35, and 100 minus 60 is 40). We feel these are the most objective, non-arbitrary criteria we could have chosen.

Is the Corporate Tax Haven Index anti-free markets?

Markets work best when there is a level playing field, and the same rules apply to all. They don't work well when markets are rigged in favour of a small number of players at the expense of much larger numbers of others.

Corporate tax havens and the activities they facilitate are, alongside monopolisation, perhaps the most important mechanisms for rigging markets. The aim of the Corporate Tax Haven Index is to point out which jurisdictions are the most aggressive players in this respect, in the hope that markets can function better.

Freedom, in addition, is a loaded term. When tax havens provide escape routes for large players that aren't available to their competitors, the large players feel greater freedom to kill their competitors, while the smaller players find it harder to compete (on a factor - tax subsidies - that has everything to do with wealth *extraction*, and nothing to do with genuine productivity or wealth *creation*). They feel less free.

When corporate tax havens and their lobbyists appeal to 'freedom' to justify their activities, this is the freedom of the fox standing outside the henhouse.

Do countries benefit by being tax havens?

It is commonly assumed that countries get rich by being tax havens, and supporters of this idea point to lists of countries with the highest GDP per capita, which do indeed contain some of the world's best-known tax havens. Many people tout the idea that being a tax haven is a viable development strategy. Unfortunately, this alluring idea is wrong, for several reasons.

First, it is generally only rich countries, not poor countries, that are able to be tax havens. Being rich enables a country to become a tax haven: that is not the same as saying that being a tax haven makes you rich. (To understand this, consider how many Nigerians or Nigerian companies would stash their illicit wealth in or shift their corporate profits to Switzerland - then consider how many Swiss people or companies might stash their hidden wealth or corporate profits in Nigeria.) To see this, look at the list of the world's most important tax havens: they are almost exclusively either mineral-rich countries, rich OECD countries, or dependencies of rich countries.

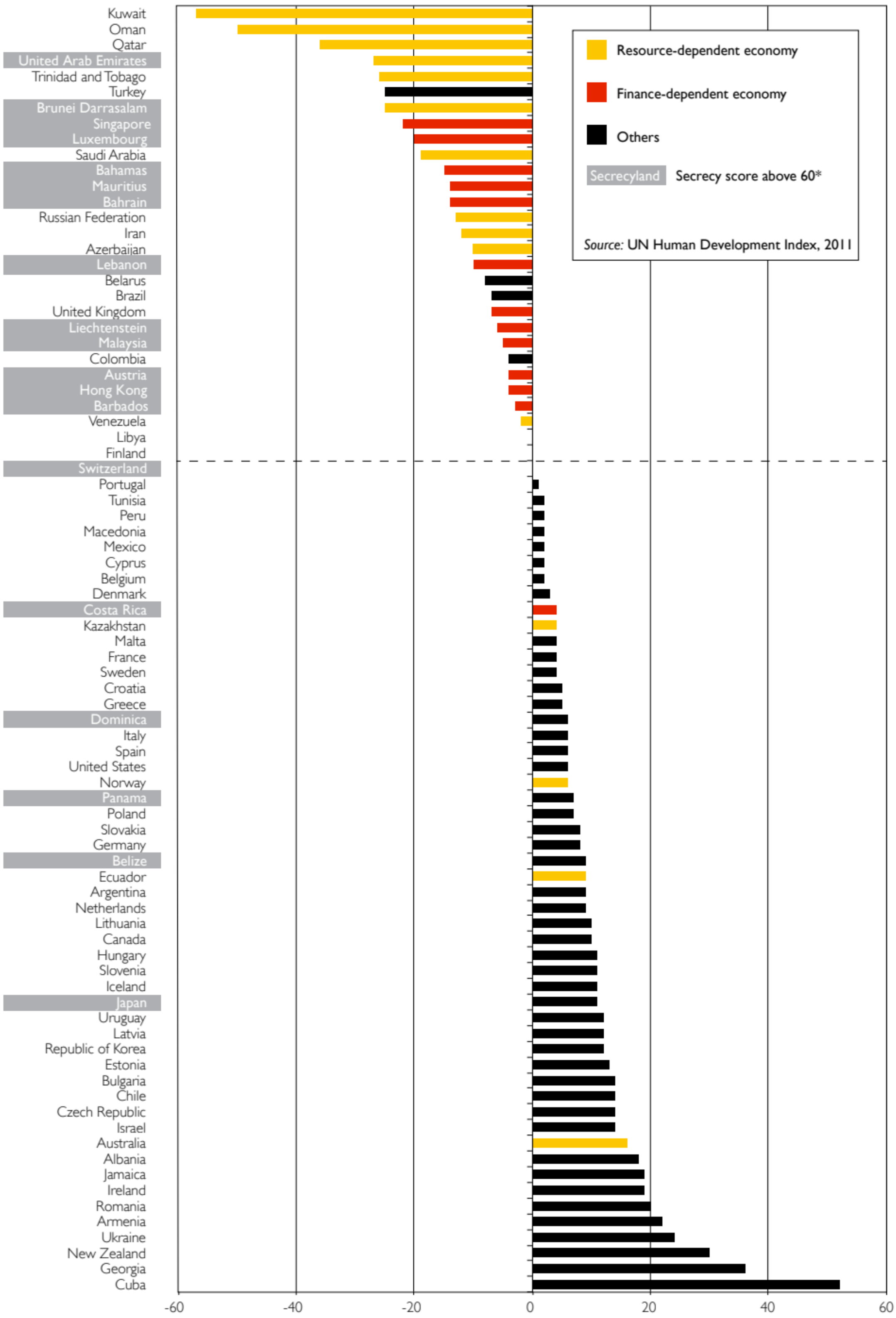
Second, many of the countries that have done well on the rankings, such as Hong Kong or Ireland, became rich because of particular features that weren't related to their tax haven status. Hong Kong, for instance, became rich because of its status as the world's gateway to China: Ireland became rich not because of its corporate tax haven activities, which began in 1956, but because of its insertion into the European single market and the Eurozone, allowing it to become the premier English-speaking investment gateway to Europe. For a dramatic graph illustrating this, click here.

Third, these rankings are nearly always based on GDP per capita, which is the wrong measure. That is because GDP in these places is artificially inflated by the profit-shifting that tax havens attract, which hardly touches the sides as it is recorded in these places. A better measure than GDP is Gross National Income, or GNI, because it strips out this profit-shifting activity. For example Ireland's GDP at the end of 2018 was €81 billion, while its GNI was just €64 billion. In other words, Irish GDP is inflated by around 27 percent. For smaller jurisdictions like Cayman or Bermuda, the GDP inflation will be much bigger, but the data isn't available.

Fourth, especially in smaller jurisdictions such as Cayman, which are high up the GDP lists, most of the benefits that do exist in a local offshore financial centre tend to flow to temporary expatriates (often white male expatriates), with relative little flowing down to locals. In (apparently very wealthy) Luxembourg, for instance, well over two thirds of workers are foreign residents or cross-border commuters who live in neighbouring countries, who contribute to Luxembourg's economy in the daytime then fall back on the health and education systems of those other countries when they return home, and when they retire.

Fifth, and perhaps just as importantly, jurisdictions attracting large inflows of profit-shifting activity also suffer a "finance curse" which goes far beyond national wealth and income statistics and affects every dimension of people's lives. This is beyond the scope of the Corporate Tax Haven Index: click here for more. The graph below provides one illustration that finance-dependent (and mineral-rich) countries are doing a bad job at translating GDP per capita into human development. (The yellow bars are mineral-rich countries, the red bars are finance-dependent countries: a positive score means the country is good at translating national income into development.)

Figure 2: GNI per capita rank minus human development rank



* From the Financial Secrecy Index