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U.S. Tax System Ranks 94th Out Of 100 -- Right Below Zimbabwe

Table 3
Tax Attractiveness Index per Country

This table reports mean values of the *Tax Attractiveness Index (TAX)* per sample country over years 2005 to 2009. The *TAX* represents an equally-weighted sum of 16 tax factors. It is restricted to values between zero and one. The closer the *Tax Attractiveness Index* is to one, the more attractive is the tax environment country *i* offers.

Country (Code)	TAX	Country (Code)	TAX	Country (Code)	TAX	Country (Code)	TAX
Algeria (DZA)	0.3424	Denmark (DNK)	0.4835	Korea (South) (KOR)	0.1505	Poland (POL)	0.4079
Angola (AGO)	0.3399	Dom. Republic (DOM)	0.4036	Latvia (LVA)	0.5194	Portugal (PRT)	0.4395
Argentina (ARG)	0.0890	Ecuador (ECU)	0.3730	Lebanon (LBN)	0.4541	Puerto Rico (PRI)	0.3217
Australia (AUS)	0.3361	Egypt (EGY)	0.2859	Liechtenstein (LIE)	0.5286	Romania (ROU)	0.4065
Austria (AUT)	0.6178	El Salvador (SLV)	0.4652	Lithuania (LTU)	0.4083	Russia (RUS)	0.3560
Bahamas (BHS)	0.8125	Estonia (EST)	0.6128	Luxembourg (LUX)	0.7219	Saudi Arabia (SAU)	0.4564
Bahrain (BHR)	0.7554	Finland (FIN)	0.5008	Macedonia (MKD)	0.4675	Serbia (SRB)	0.3667
Bangladesh (BGD)	0.3550	France (FRA)	0.5320	Malaysia (MYS)	0.6886	Singapore (SGP)	0.6798
Belarus (BLR)	0.3765	Germany (DEU)	0.5245	Malta (MLT)	0.6639	Slovak Republic (SVK)	0.5419
Belgium (BEL)	0.6206	Great Britain (GBR)	0.5913	Mauritius (MUS)	0.5395	Slovenia (SVN)	0.4592
Bermuda (BMU)	0.8125	Greece (GRC)	0.3869	Mexico (MEX)	0.2899	South Africa (ZAF)	0.4557
Bolivia (BOL)	0.5137	Guatemala (GTM)	0.4753	Montenegro (MNE)	0.4875	Spain (ESP)	0.4971
Botswana (BWA)	0.3626	Guernsey (GGY)	0.5943	Morocco (MAR)	0.4336	Sweden (SWE)	0.5747
Brazil (BRA)	0.3203	Hong Kong (HKG)	0.5120	Namibia (NAM)	0.5030	Switzerland (CHE)	0.5981
Brit. Virg. Islands (VGB)	0.7739	Hungary (HUN)	0.5229	Netherlands (NLD)	0.7076	Taiwan (TWN)	0.3157
Bulgaria (BGR)	0.4248	Iceland (ISL)	0.5112	Neth. Antilles (ANT)	0.6398	Thailand (THA)	0.3800
Canada (CAN)	0.3147	India (IND)	0.3868	New Zealand (NZL)	0.3547	Tunisia (TUN)	0.3935
Cayman Islands (CYM)	0.7813	Indonesia (IDN)	0.2206	Nicaragua (NIC)	0.4746	Turkey (TUR)	0.4000
Chile (CHL)	0.3310	Ireland (IRL)	0.6694	Nigeria (NGA)	0.4373	Ukraine (UKR)	0.4460
China (CHN)	0.3197	Israel (ISR)	0.3171	Norway (NOR)	0.5555	Unit. Arab Emir. (ARE)	0.7682
Colombia (COL)	0.3067	Italy (ITA)	0.3705	Pakistan (PAK)	0.3166	United States (USA)	0.2432
Costa Rica (CRI)	0.4379	Japan (JPN)	0.2748	Panama (PAN)	0.4806	Uruguay (URY)	0.5570
Croatia (HRV)	0.3634	Jersey (JEY)	0.7181	Paraguay (PRY)	0.5236	Venezuela (VEN)	0.1301
Cyprus (CYP)	0.7086	Kazakhstan (KAZ)	0.3533	Peru (PER)	0.1927	Vietnam (VNM)	0.4046
Czech Republic (CZE)	0.3837	Kenya (KEN)	0.4437	Philippines (PHL)	0.2240	Zimbabwe (ZWE)	0.2675

Well, is the U.S. tax system competitive? Many global companies say it isn't. In his recent Senate testimony, Apple CEO Tim Cook distanced Apple from tax gimmicks, but the Senate Permanent Investigation Subcommittee [report on Apple](#) paints a grim picture. Many companies are even more

aggressive and say our tax system is at fault. See [Apple: Think Different. Tax Different.](#)

Individuals complain too. U.S. citizens and permanent residents must report their worldwide income. Of late, that rule has landed many in hot water. See [Forget Wesley Snipes—Judge Gives '5 Second Probation' In \\$21M Tax Case.](#) Americans living abroad and dual citizens are hit especially hard. See [Expats Lobby For Tax on Residence, Not Worldwide Income.](#)

Don't believe them? [Sara Keller](#) and [Deborah Schanz](#) are German economists, but you have to hand it to them for their media savvy. They rate tax systems, good, bad and ugly. Everyone loves rankings. They have their own terminology too. See [Measuring Tax Attractiveness Across Countries.](#)

Their Tax Attractiveness Index reflects the attractiveness of a country's tax environment and the tax planning opportunities it offers. Like a kind of beauty pageant, their Tax Attractiveness Index covers 16 components of tax systems. OK, there is no tax system swimsuit competition.

They look at statutory tax rates, how dividends and capital gains are treated, withholding taxes, group tax regimes and more. They consider double tax treaties, thin capitalization rules, and controlled foreign company rules. But how they stir the pot to achieve rankings is no mere Gestalt approach.

The authors painstakingly quantify each tax factor. The Tax Attractiveness Index embraces 100 countries and examines 2005 to 2009. By comparing the Tax Attractiveness Index with the statutory tax rate, the authors claim, they can show that even high tax countries can offer favorable tax conditions.

Clearly, then, mere tax rates don't reveal a country's tax climate. There are many other factors besides rates. And how do we Americans stack up in the tax rankings?

Not well. Try 94 out of 100, just below Zimbabwe. Even Japan beat us, coming in at a rousing 92nd. On the brighter side, we might be mollified to know that we did beat a few. As [Daniel J. Mitchell](#) notes here, [America's Corporate Tax System Ranks a Miserable 94 out of 100](#), "the 'good news' is that we beat out [Argentina](#) and [Venezuela](#), two of the world's most corrupt and despotic nations."

Tax reform isn't out of the question, of course. Still, this rank is pretty dismal. Even for individuals, when CNN reports [U.S. citizens are ditching passports](#)

[in record numbers](#), it must be true. Like CNN's election night coverage, the stats don't lie.

With over 670 U.S. citizens saying sayonara in the first 90 days of 2013, it's shaping up to be the year of the expat. See also [Q1 2013 – Highest Quarterly Number of Expatriates Ever \(But...\)](#).

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.