

# *Global Effective Tax Rates*

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## ***I. Introduction***

Business Roundtable engaged PricewaterhouseCoopers LLP ("PwC") to examine global effective tax rates of U.S.- and foreign-headquartered companies for the years 2006 to 2009. PwC calculated and compared effective tax rates by country for the 2,000 largest companies in the world as ranked by the 2010 Forbes Global 2000 list. The data for the study are from company financial statements as reported in the S&P Global Vantage database.

## ***II. Methodology***

The companies on the 2010 Forbes Global 2000 list include 536 U.S.-headquartered companies and 1,464 other companies headquartered in 60 foreign countries. The S&P Global Vantage database was used to obtain total income taxes and pretax income from company financial statements for each year in the four-year period 2006-2009 for each of the 2000 companies for which data were available.

Total income taxes is defined to be the sum of all taxes imposed on income by local, provincial or state, national, and foreign governments during the year. It is the total tax provision and includes current taxes as well as the change in net deferred tax liabilities for the year. Pretax income is defined to be worldwide net income before income taxes, minority interest, and extraordinary items.

The effective tax rate is defined as total income taxes divided by pretax income.

Weighted-average effective tax rates were calculated for each country by summing total income taxes and pretax income across all companies headquartered in the country. Simple averages were then calculated across all countries represented in the sample.

To provide greater comparability of effective tax rates across the sample and reduce the impact of outliers, certain observations were excluded from the analysis. First, companies that reported zero or negative pretax income in a particular year are excluded from effective tax rate calculations for that year. Effective tax rates for companies with negative pretax income are difficult to interpret and can be misleading as to the true burden of the tax system. Second, in a limited number of cases Global Vantage reported missing values as zeros for either total income taxes or pretax income. In these cases, the company was dropped from the calculations for the particular year. Third, many countries subject oil and gas companies to higher levels of income taxation compared to ordinary corporate income tax rates.<sup>1</sup> For some countries, given the size of the oil and gas sector relative to the entire economy, such higher rates can significantly influence comparisons with other countries. Thus, companies with substantial oil and gas operations have been excluded from the country comparisons to eliminate these effects.<sup>2</sup>

After accounting for these exclusions, the study includes 484 U.S.-headquartered companies and 1,336 foreign-headquartered companies for at least one year in the 2006-2009 period. These companies were based in the United States and 58 other countries.

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<sup>1</sup> For example, Malaysia taxes oil and gas income at a rate of 38 percent, while other income is taxed at 25 percent. Similarly, Norway and the United Kingdom impose general business taxes at a 28 percent statutory rate and also impose additional taxes on North Sea production. Certain other countries have similar regimes, including the United States, which imposes an effective 1 percentage point higher tax on domestic oil and gas income compared to other domestic manufacturing and production income (given the difference in the domestic production activities deduction).

<sup>2</sup> Separate calculations were made for these companies and the results are discussed in the next section.

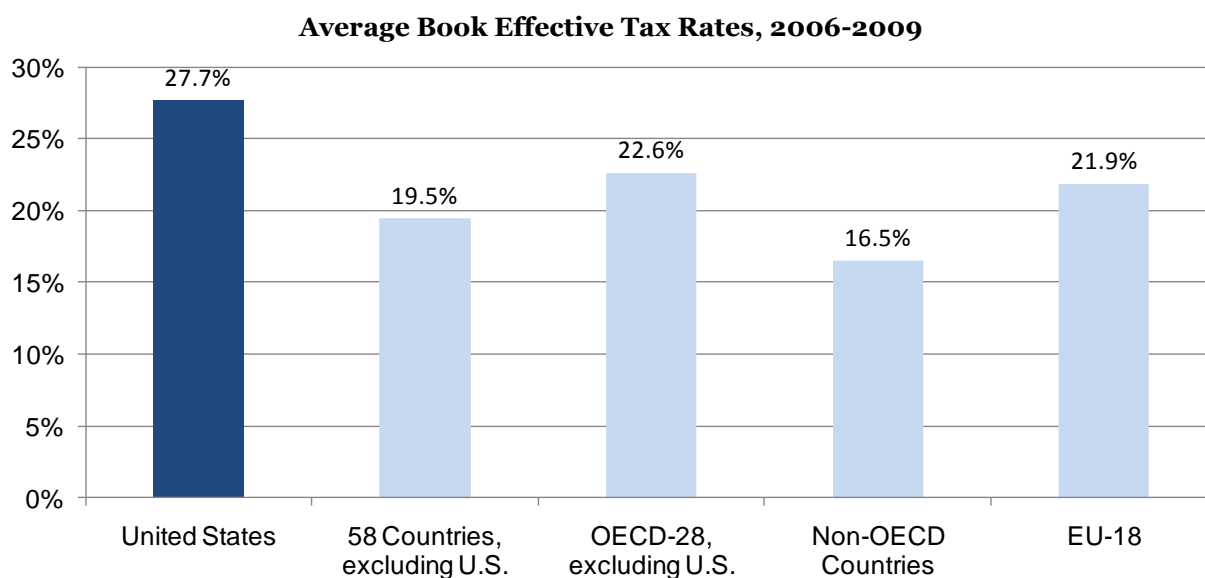
### III. Summary Results

Average effective tax rates for the 2006-2009 period are provided by country of incorporation in **Table 1** and **Figure 1** below. Companies headquartered in the United States faced an average effective tax rate of 27.7 percent compared to a rate of 19.5 percent for their foreign-headquartered counterparts. By country, U.S.-headquartered companies faced a higher worldwide effective tax rate than their counterparts headquartered in 53 of the 58 foreign countries.

As shown in **Figure 2**, below, the average effective tax rate faced by U.S.-headquartered companies was more than 5 percentage points higher than the average effective rate faced by companies headquartered in the other 28 OECD countries represented in the sample (27.7 percent compared to 22.6 percent) during the 2006-2009 period.

**Figure 3** shows that U.S.-headquartered companies faced an average effective tax rate more than 11 percentage points higher than the 16.5 percent average effective tax rate faced by companies headquartered in non-OECD countries.

The figure below summarizes these overall results and additionally shows the average effective tax rate faced by U.S.-headquartered companies was 5.8 percentage points higher than the rate for companies headquartered in the 18 European Union countries represented in the sample (27.7 percent compared to 21.9 percent).<sup>3</sup>



Source: PwC calculations based on data from S&P's Global Vantage database.

<sup>3</sup> Comparisons of the oil and gas companies excluded from the base calculations show very similar results, but with a starting point of higher effective tax rates, as noted. For example, the average effective tax rate faced by U.S.-headquartered oil and gas companies for the period was 42.1 percent, compared to a 32.2 percent rate for non-U.S.-headquartered oil and gas companies. The average effective tax rates of U.S.-headquartered oil and gas companies were 6.4 percentage points higher than OECD oil and gas counterparts (42.1 percent compared to 35.7 percent), 15.3 percentage points higher than non-OECD counterparts (42.1 percent compared to 26.8 percent), and 7.4 percentage points higher than EU headquartered counterparts (42.1 percent compared to 34.7 percent).

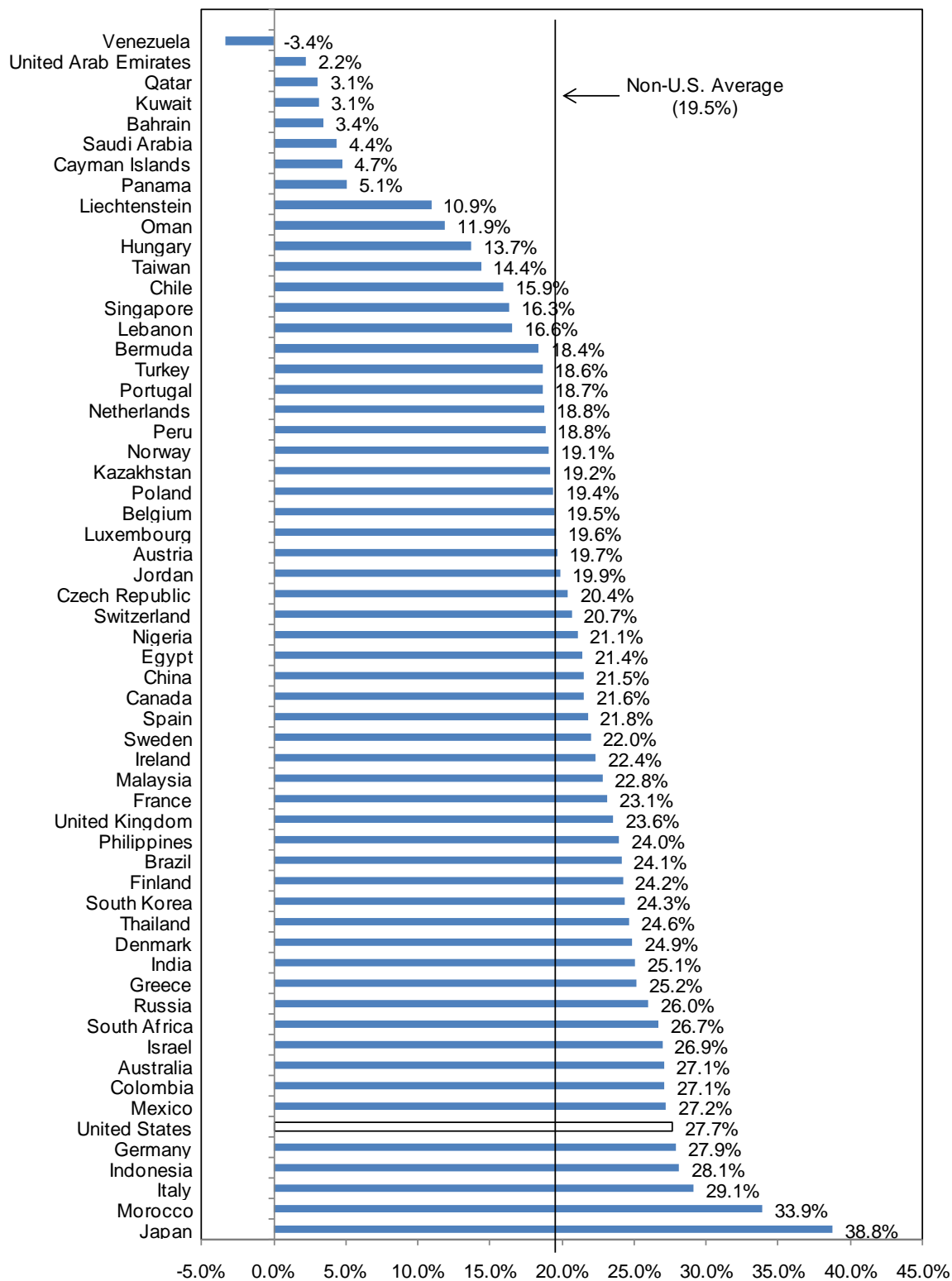
**Table 1.—Average Book Effective Tax Rates, by Country, 2006-2009**

Rank	Country of Incorporation	Effective Tax Rate	Number of Observations*	Rank	Country of Incorporation	Effective Tax Rate	Number of Observations*
1	Japan	38.8%	919	31	Switzerland	20.7%	162
2	Morocco	33.9%	7	32	Czech Republic	20.4%	4
3	Italy	29.1%	135	33	Jordan	19.9%	8
4	Indonesia	28.1%	40	34	Austria	19.7%	41
5	Germany	27.9%	193	35	Luxembourg	19.6%	26
<b>6</b>	<b>United States</b>	<b>27.7%</b>	<b>1,714</b>	36	Belgium	19.5%	42
7	Mexico	27.2%	70	37	Poland	19.4%	8
8	Colombia	27.1%	8	38	Kazakhstan	19.2%	4
9	Australia	27.1%	150	39	Norway	19.1%	26
10	Israel	26.9%	38	40	Peru	18.8%	12
11	South Africa	26.7%	81	41	Netherlands	18.8%	68
12	Russia	26.0%	72	42	Portugal	18.7%	32
13	Greece	25.2%	36	43	Turkey	18.6%	45
14	India	25.1%	175	44	Bermuda	18.4%	23
15	Denmark	24.9%	48	45	Lebanon	16.6%	8
16	Thailand	24.6%	42	46	Singapore	16.3%	66
17	South Korea	24.3%	181	47	Chile	15.9%	32
18	Finland	24.2%	36	48	Taiwan	14.4%	141
19	Brazil	24.1%	110	49	Hungary	13.7%	4
20	Philippines	24.0%	12	50	Oman	11.9%	4
21	United Kingdom	23.6%	306	51	Liechtenstein	10.9%	4
22	France	23.1%	221	52	Panama	5.1%	8
23	Malaysia	22.8%	64	53	Cayman Islands	4.7%	7
24	Ireland	22.4%	53	54	Saudi Arabia	4.4%	30
25	Sweden	22.0%	96	55	Bahrain	3.4%	8
26	Spain	21.8%	103	56	Kuwait	3.1%	14
27	Canada	21.6%	199	57	Qatar	3.1%	12
28	China**	21.5%	596	58	United Arab Emirates	2.2%	25
29	Egypt	21.4%	20	59	Venezuela***	-3.4%	12
30	Nigeria	21.1%	4				
					Non-U.S. Average	19.5%	4,891

Note: U.S.-headquartered companies faced higher average effective tax rates than their counterparts in 53 of 59 countries over the 2006-2009 period.

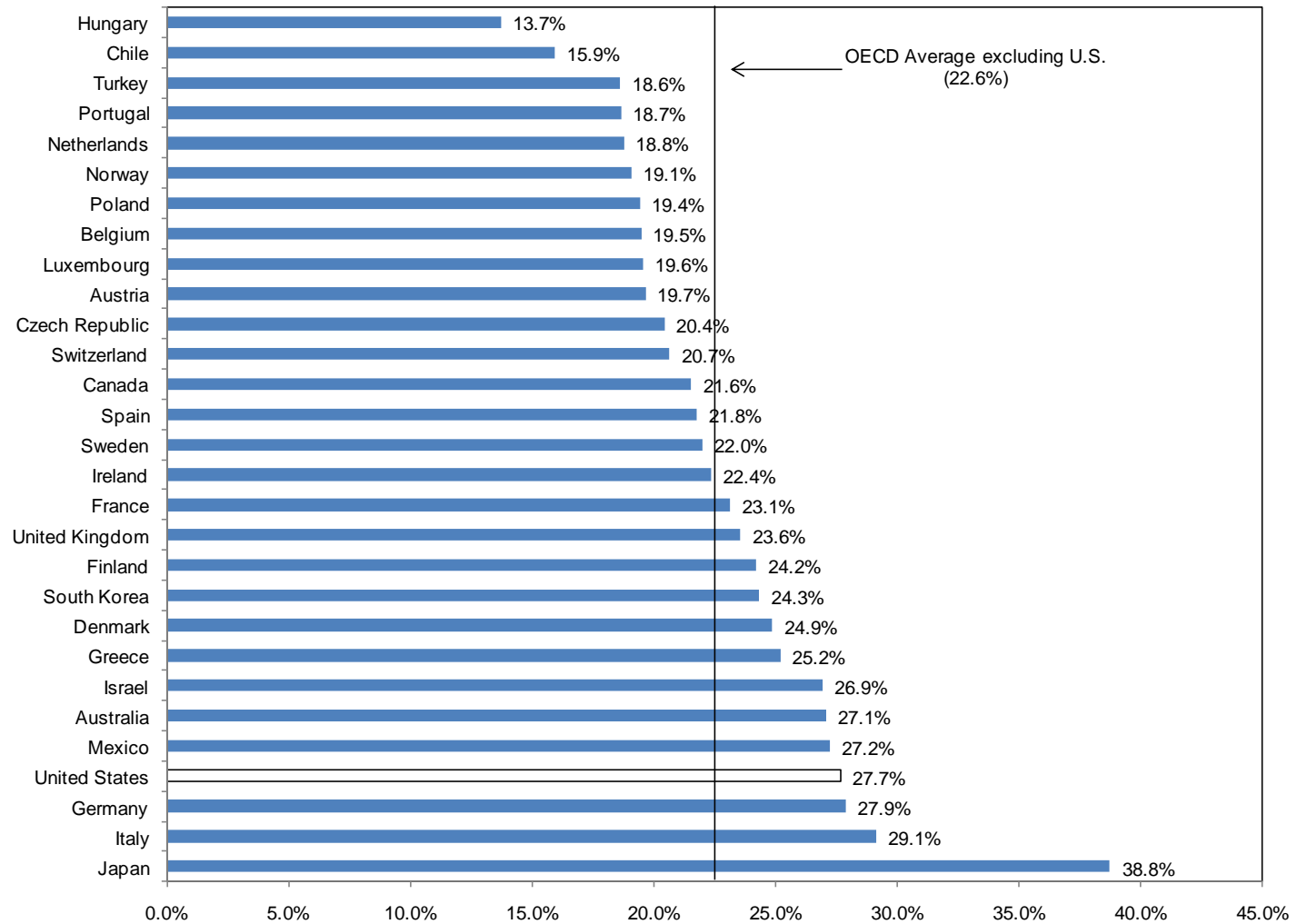
\*The number of observations is the sum of observations across all four years. As such, a single company reporting data in all years counts as four observations. In total, 484 U.S.-based companies account for the 1,714 observations, while 1,336 foreign-headquartered companies account for 4,891 observations. \*\*China includes dual-listed companies in Hong Kong. \*\*\*Negative ETRs are the result of companies with negative income tax provisions and positive income. Source: PwC calculations based on data from S&P's Global Vantage database.

**Figure 1.—Average Book Effective Tax Rates, by Country, 2006-2009**



Source: PwC calculations based on data from S&P's Global Vantage database.

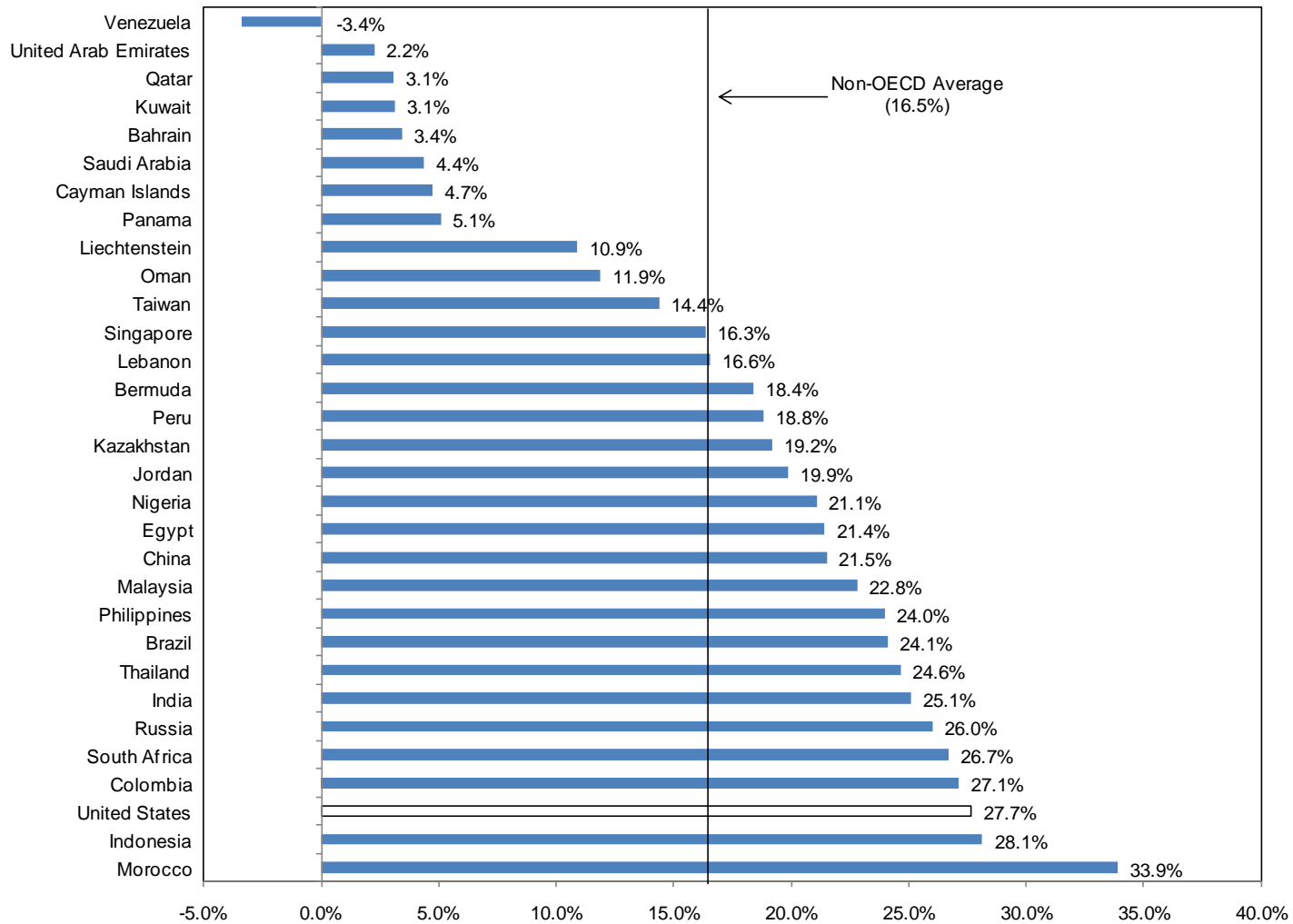
**Figure 2.—2006-2009 Average Book Effective Tax Rates:  
U.S.-Headquartered Companies vs. Companies Headquartered in Other OECD Countries**



Note: Data available for 29 of 34 OECD countries.

Source: PwC calculations based on data from S&P's Global Vantage database.

**Figure 3.—2006-2009 Average Book Effective Tax Rates:  
U.S.-Headquartered Companies vs. Companies Headquartered in Non-OECD Countries**



Note: Data available for 30 non-OECD countries.

Source: PwC calculations based on data from S&P's Global Vantage database.



#### ***IV. Detailed Results***

Year-by-year results by country of incorporation are shown in Appendix **Tables A-1** to **A-4**.

#### ***V. Discussion of Results***

Differences in effective tax rates among companies are partly the result of differences in the geographic mix of income and the different country-specific and industry-specific tax rates that apply to such income.

The statutory tax rate in the country in which a company is headquartered has an important effect on the company's effective tax rate. For example, as shown in **Figure 2**, Japanese companies have the highest effective tax rate (38.8 percent) among OECD member countries. According to the OECD, Japan also had the highest combined (central and sub-central) corporate statutory tax rate in the OECD at 39.54 percent in 2009. Prior to 2009, Japan taxed its companies on a worldwide basis, so its companies were subject to Japanese taxes on repatriated foreign earnings. Japan has proposed reforms to reduce its corporate tax rate by five percentage points effective in 2011 (although these may be deferred due to the recent earthquake and tsunami).

The United States, with the second highest statutory tax rate in the OECD in the 2006-2009 period, is shown in **Figure 2** to have the fourth highest effective tax rate of the 29 OECD countries represented in the sample.

#### ***VI. Conclusions***

Among the companies on the Forbes Global 2000 list for 2010, U.S.-headquartered companies faced an average effective tax rate of 27.7 percent compared to a rate of 19.5 percent for their foreign-headquartered counterparts. Only five of the 59 countries in the sample had higher effective tax rates than these U.S.-headquartered companies over the 2006-2009 period: Japan (38.8 percent), Morocco (33.9 percent), Italy (29.1 percent), Indonesia (28.1 percent) and Germany (27.9 percent).

**Table A-1.—Average Book Effective Tax Rates, by Country, 2006**

Rank	Country of Incorporation	Effective Tax Rate	Number of Observations	Rank	Country of Incorporation	Effective Tax Rate	Number of Observations
1	Japan	36.9%	257	31	Philippines	20.4%	3
2	Morocco	36.8%	2	32	Poland	20.3%	2
3	Israel	36.5%	10	33	Thailand	20.2%	11
4	Italy	32.8%	35	34	Sweden	19.9%	26
5	Greece	28.6%	10	35	Ireland	19.5%	14
6	South Africa	28.6%	20	36	Netherlands	19.0%	20
7	Kazakhstan	28.5%	1	37	Brazil	18.9%	29
8	Indonesia	28.5%	10	38	Austria	18.6%	11
<b>9</b>	<b>United States</b>	<b>28.5%</b>	<b>452</b>	39	Luxembourg	17.5%	7
10	Mexico	28.2%	18	40	Peru	17.4%	3
11	Spain	26.9%	27	41	Norway	16.7%	7
12	Australia	25.9%	40	42	Lebanon	16.1%	2
13	Russia	25.9%	20	43	Chile	16.0%	8
14	Denmark	25.0%	12	44	Portugal	15.4%	8
15	Nigeria	24.2%	1	45	Egypt	14.5%	5
16	India	23.9%	45	46	Bermuda	14.4%	7
17	South Korea	23.8%	49	47	Hungary	14.4%	1
18	Czech Republic	23.7%	1	48	Singapore	14.4%	17
19	Germany	23.7%	52	49	Taiwan	13.4%	34
20	France	23.1%	60	50	Oman	11.8%	1
21	China*	22.8%	151	51	Cayman Islands	10.8%	2
22	Colombia	22.6%	2	52	Liechtenstein	9.3%	1
23	United Kingdom	22.5%	81	53	Bahrain	3.6%	2
24	Turkey	22.5%	11	54	Saudi Arabia	3.5%	6
25	Switzerland	22.1%	44	55	Panama	2.2%	2
26	Canada	22.1%	50	56	Kuwait	1.8%	2
27	Finland	21.9%	10	57	Qatar	0.3%	2
28	Belgium	21.0%	12	58	Venezuela**	-0.8%	3
29	Jordan	20.9%	2	59	United Arab Emirates**	-1.6%	5
30	Malaysia	20.4%	16				
					Non-U.S. Average	19.3%	1,290

Note: U.S.-headquartered companies faced higher effective tax rates in 2006 than their counterparts in 50 of 58 other countries.

\*China includes dual-listed companies in Hong Kong. \*\*The negative effective tax rates for companies headquartered in Venezuela and the United Arab Emirates are the result of companies with relatively large negative income tax provisions and positive pretax income.

Source: PwC calculations based on data from S&P's Global Vantage database.

**Table A-2.—Average Book Effective Tax Rates, by Country, 2007**

Rank	Country of Incorporation	Effective Tax Rate	Number of Observations	Rank	Country of Incorporation	Effective Tax Rate	Number of Observations
1	Japan	37.6%	257	31	Luxembourg	21.2%	7
2	Italy	32.4%	36	32	Switzerland	20.7%	41
3	Morocco	31.6%	2	33	Spain	20.5%	26
4	Philippines	30.5%	3	34	Singapore	20.3%	17
<b>5</b>	<b>United States</b>	<b>28.8%</b>	<b>452</b>	35	France	20.2%	61
6	Indonesia	28.4%	10	36	Austria	19.5%	11
7	Germany	28.2%	53	37	Malaysia	19.3%	16
8	Nigeria	28.1%	1	38	Jordan	17.8%	2
9	Mexico	27.5%	18	39	Poland	17.8%	2
10	South Africa	27.4%	21	40	Portugal	17.2%	8
11	Russia	27.2%	20	41	Turkey	16.6%	12
12	Brazil	26.8%	28	42	Chile	16.4%	8
13	Israel	26.5%	10	43	Lebanon	16.4%	2
14	South Korea	26.1%	49	44	Czech Republic	16.4%	1
15	Thailand	25.9%	10	45	Hungary	16.2%	1
16	Colombia	25.7%	2	46	Belgium	15.6%	12
17	Australia	25.4%	40	47	Liechtenstein	15.5%	1
18	India	24.3%	47	48	Netherlands	14.4%	19
19	Sweden	24.0%	25	49	Norway	14.2%	7
20	United Kingdom	23.7%	80	50	Taiwan	14.1%	38
21	Denmark	23.3%	12	51	Oman	12.0%	1
22	China*	23.1%	155	52	Panama	4.8%	2
23	Canada	22.8%	53	53	Bahrain	4.8%	2
24	Ireland	22.5%	15	54	Saudi Arabia	4.5%	9
25	Finland	22.3%	10	55	Kuwait	2.3%	4
26	Peru	22.0%	3	56	United Arab Emirates	1.7%	7
27	Egypt	21.8%	5	57	Venezuela	0.2%	3
28	Bermuda	21.6%	6	58	Qatar	-1.4%	3
29	Greece	21.6%	10	59	Cayman Islands	-14.9%	2
30	Kazakhstan	21.6%	1				
					Non-U.S. Average	19.2%	1,307

Note: U.S.-headquartered companies faced higher effective tax rates in 2007 than their counterparts in 54 of 58 other countries.

\*China includes dual-listed companies in Hong Kong. \*\*The negative effective tax rates for companies headquartered in Qatar and the Cayman Islands are the result of companies with relatively large negative income tax provisions and positive pretax income.

Source: PwC calculations based on data from S&P's Global Vantage database.

**Table A-3.—Average Book Effective Tax Rates, by Country, 2008**

Rank	Country of Incorporation	Effective Tax Rate	Number of Observations	Rank	Country of Incorporation	Effective Tax Rate	Number of Observations
1	Japan	45.6%	175	31	Canada	21.1%	47
2	Morocco	34.7%	2	32	Austria	20.8%	9
3	Germany	31.6%	48	33	Portugal	20.4%	8
4	Philippines	31.5%	3	34	Poland	19.9%	2
5	Colombia	29.5%	2	35	China*	19.8%	141
6	Mexico	28.0%	17	36	Switzerland	19.0%	38
7	Thailand	27.6%	10	37	Jordan	18.2%	2
8	Netherlands	27.6%	15	38	Luxembourg	18.2%	7
<b>9</b>	<b>United States</b>	<b>27.6%</b>	<b>394</b>	39	Brazil	17.9%	26
10	United Kingdom	27.4%	68	40	Italy	17.8%	32
11	Indonesia	26.9%	10	41	Turkey	17.2%	11
12	South Africa	26.7%	20	42	Peru	17.0%	3
13	Australia	26.1%	36	43	Chile	16.9%	8
14	Russia	25.5%	16	44	Lebanon	16.8%	2
15	India	25.0%	42	45	Taiwan	16.7%	34
16	Israel	24.6%	8	46	Singapore	16.0%	16
17	South Korea	24.5%	42	47	Hungary	12.1%	1
18	Malaysia	24.5%	16	48	Oman	11.9%	1
19	France	24.3%	52	49	Cayman Islands	11.1%	2
20	Norway	24.2%	5	50	Liechtenstein	10.1%	1
21	Ireland	24.2%	12	51	Nigeria	7.4%	1
22	Egypt	23.8%	5	52	United Arab Emirates	7.3%	7
23	Sweden	23.8%	23	53	Panama	6.9%	2
24	Finland	23.3%	8	54	Saudi Arabia	4.2%	7
25	Belgium	23.3%	7	55	Qatar	3.6%	3
26	Denmark	22.8%	12	56	Kuwait	3.3%	4
27	Czech Republic	22.0%	1	57	Bahrain	1.2%	2
28	Greece	21.6%	8	58	Venezuela**	-5.4%	3
29	Spain	21.4%	25	59	Kazakhstan**	-75.7%	1
30	Bermuda	21.3%	3				
					Non-U.S. Average	18.2%	1,112

Note: U.S.-headquartered companies faced higher effective tax rates in 2008 than their counterparts in 50 of 58 other countries.

\*China includes dual-listed companies in Hong Kong. \*\*The negative effective tax rates for companies headquartered in Venezuela and Kazakhstan are the result of companies with relatively large negative income tax provisions and positive pretax income.

Source: PwC calculations based on data from S&P's Global Vantage database.

**Table A-4.—Average Book Effective Tax Rates, by Country, 2009**

Rank	Country of Incorporation	Effective Tax Rate	Number of Observations	Rank	Country of Incorporation	Effective Tax Rate	Number of Observations
1	Nigeria	41.3%	1	31	China*	20.8%	149
2	Kazakhstan	40.2%	1	32	Switzerland	20.6%	39
3	Japan	38.8%	230	33	Belgium	20.6%	11
4	Finland	37.0%	8	34	Czech Republic	20.2%	1
5	Morocco	33.2%	1	35	Austria	20.1%	10
6	Australia	31.5%	34	36	Poland	20.1%	2
7	Brazil	31.3%	27	37	Turkey	19.9%	11
8	Italy	30.7%	32	38	Sweden	19.8%	22
9	Greece	30.5%	8	39	Canada	19.8%	49
10	Denmark	28.8%	12	40	Spain	19.3%	25
11	Indonesia	28.8%	10	41	Peru	18.1%	3
12	Germany	28.5%	40	42	Netherlands	18.0%	14
13	Colombia	28.4%	2	43	Lebanon	16.8%	2
14	Malaysia	26.8%	16	44	Bermuda	16.4%	7
15	India	26.7%	41	45	Philippines	16.0%	3
16	France	26.5%	48	46	Chile	14.0%	8
17	<b>United States</b>	<b>25.7%</b>	<b>416</b>	47	Singapore	13.8%	16
18	Mexico	24.9%	17	48	Taiwan	13.6%	35
19	Egypt	24.9%	5	49	Cayman Islands	12.9%	1
20	Ireland	24.7%	12	50	Oman	11.9%	1
21	Luxembourg	24.4%	5	51	Hungary	11.9%	1
22	Russia	24.3%	16	52	Liechtenstein	7.5%	1
23	Thailand	24.2%	11	53	Panama	6.4%	2
24	Norway	24.2%	7	54	Kuwait	6.0%	4
25	South Africa	24.1%	20	55	Saudi Arabia	5.5%	8
26	Jordan	24.1%	2	56	Qatar	5.4%	4
27	Israel	22.4%	10	57	Bahrain	4.0%	2
28	Portugal	22.2%	8	58	United Arab Emirates**	-0.1%	6
29	South Korea	22.0%	41	59	Venezuela**	-5.8%	3
30	United Kingdom	21.3%	77				
					Non-U.S. Average	20.9%	1,182

Note: U.S.-headquartered companies faced higher effective tax rates in 2009 than their counterparts in 42 of 58 other countries.

\*China includes dual-listed companies in Hong Kong. \*\*The negative effective tax rates for companies headquartered in the United Arab Emirates and Venezuela are the result of companies with relatively large negative income tax provisions and positive pretax income.

Source: PwC calculations based on data from S&P's Global Vantage database.