2 Statutory corporate income tax rates

Key insights

- Statutory corporate income tax rates (STRs) have remained stable in the period between 2021 and 2024, arresting their long-term decline over the last two decades, though rates remain far below historic averages. The average combined (central and sub-central government) STR for all Inclusive Framework jurisdictions covered declined dramatically from 28.0% in 2000 to 21.7% in 2019. From 2019 to 2024, the average STR has remained relatively stable with a rate of 21.7% in 2019 and 21.1% in 2024.
- Of the 143 jurisdictions covered in the 2024 data, 25 had STRs equal to or above 30% in 2024, with Colombia and Malta having the highest STR at 35.0%.
- In 2024, 11 jurisdictions had no corporate tax regime or an STR of zero. Three jurisdictions, Barbados, Hungary and the United Arab Emirates (all 9%), had a positive STR of less than 10%. Hungary, however, also has a local business tax, which does not use corporate profits as its base. This is not included in Hungary's STR, but it does mean that businesses in Hungary are subject to a higher level of tax than its statutory rate reflects.
- Comparing STRs between 2000 and 2024, 113 jurisdictions had lower tax rates in 2024, while 14 jurisdictions had the same tax rate, and 16 had higher tax rates.
- The largest increases between 2000 and 2024 were in Benin (30 percentage points (p.p.)) and Togo (27 p.p.). Benin and Togo did not previously have a corporate tax regime and introduced one during this time period.
- Comparing 2000 and 2024, 13 jurisdictions – Aruba, Barbados, Belize, Bosnia and Herzegovina, Bulgaria, Democratic Republic of the Congo, Germany, Gibraltar, Guernsey, India, Isle of Man, Jersey and Paraguay – decreased their corporate tax rates by 20 p.p. or more. During this time, Guernsey, Jersey and the Isle of Man eliminated preferential regimes and reduced their standard corporate tax rates to zero and Barbados reduced its standard corporate tax rate to 9.0% after eliminating its preferential regime.
- From 2023 to 2024, the STR decreased in two jurisdictions (Austria and St. Kitts and Nevis) and there were five increases across the 143 jurisdictions covered (Aruba, Barbados, Czechia, Iceland and the United Arab Emirates). The United Arab Emirates did not previously have a corporate tax regime and introduced one from 2024.
- The jurisdiction with the largest decrease in the STR between 2023 and 2024 was St. Kitts and Nevis (8 p.p.).

Statutory corporate income tax rates (STRs) show the headline tax rate faced by corporations and can be used to compare the standard tax rate on corporations across jurisdictions and over time. STRs measure the marginal tax that would be paid on an additional unit of income, in the absence of other provisions in the tax code, they are often used in studies of base erosion and profit shifting (BEPS) to measure the incentive that firms have to shift income between jurisdictions.

STRs, however, do not give a full picture of the tax rates faced by corporations in a given jurisdiction. The STR does not reflect any special regimes or rates targeted to certain industries or income types, nor does it take into account the breadth of the corporate base to which the rate applies. Further information, such as the data on effective corporate tax rates and intellectual property (IP) regimes in the *Corporate Tax Statistics* database, is needed to form a more complete picture of the tax burden on corporations across jurisdictions.

The *Corporate Tax Statistics* database reports STRs for resident corporations at the:

- central government level;
- central government level exclusive of any surtaxes;
- central government level less deductions for subnational taxes;
- sub-central government level;
- combined (central and sub-central) government level.

The standard rate, which is not targeted at any particular industries or income type, is reported. The top marginal rate is reported if a jurisdiction has a progressive corporate tax system. Other special corporate taxes that are levied on a base other than corporate profits are not included.

Most of the downward movement in STRs between 2000 and 2024 was to tax rates equal to or greater than 10% and less than 30% (Figure 2.2). The number of jurisdictions with tax rates equal to or greater than 10% and less than 30% almost tripled from 39 jurisdictions to 104 jurisdictions, and the number of jurisdictions with tax rates equal to or greater than 10% and less than 20% more than quadrupled, from eight to 32 jurisdictions. Of the 143 jurisdictions covered in the 2024 data, 25 had corporate tax rates equal to or above 30% in 2024, with Colombia and Malta having the highest corporate tax rate at 35.0%.[1]

Despite the general downward movement in tax rates during this period, the number of jurisdictions with very low STRs of less than 10% remained fairly stable between 2000 and 2024. There were 16 jurisdictions with STRs of less than 10% in 2000, and 14 below that threshold in 2024.

There has, however, been some movement of jurisdictions into and out of this category, and these movements illustrate how headline STRs do not give a complete picture of the tax burden in a jurisdiction. Between 2005 and 2009, the British Virgin Islands, Guernsey, Jersey[2] and the Isle of Man all moved from corporate tax rates above 10% to zero corporate tax rates. In all of these cases, however, before changing their standard corporate tax rate to zero, they had operated broadly applicable special regimes that resulted in very low tax rates for qualifying companies. Meanwhile, Andorra and the Maldives instituted corporate tax regimes and moved from zero rates to positive tax rates (10% in Andorra beginning in 2012 and 15% in the Maldives beginning in 2011). However, they also introduced preferential regimes as part of their corporate tax systems that offer lower rates to qualifying companies.[3]

Figure 2.1. Statutory corporate income tax rates, 2024

Note: The Kingdom of Saudi Arabia imposes a corporate income tax rate of 20% on a non-Saudi's' share of a resident company or a non-resident's income from a permanent establishment in Saudi Arabia or income of a company operating in the natural gas sector. A higher corporate income tax rate is imposed as well on companies operating in the oil sector (i.e., 50% or higher). The Kingdom of Saudi Arabia also levies the Zakat on companies, which is an example of a tax on both income and equity. The Zakat is levied at 2.5% on a Saudi's share of a resident company (also applies to citizens of Gulf Cooperation Council countries with an established business in the Kingdom of Saudi Arabia), but since it is imposed on income and equity, it yields a higher rate in effective terms. The Saudi government considers the corporate Zakat as an equivalent to corporate income tax, levied on a different basis. It is also considered a covered tax for the purposes of the GloBE rules in the GloBE Model Rules (OECD, 2021[1]) and Commentary.

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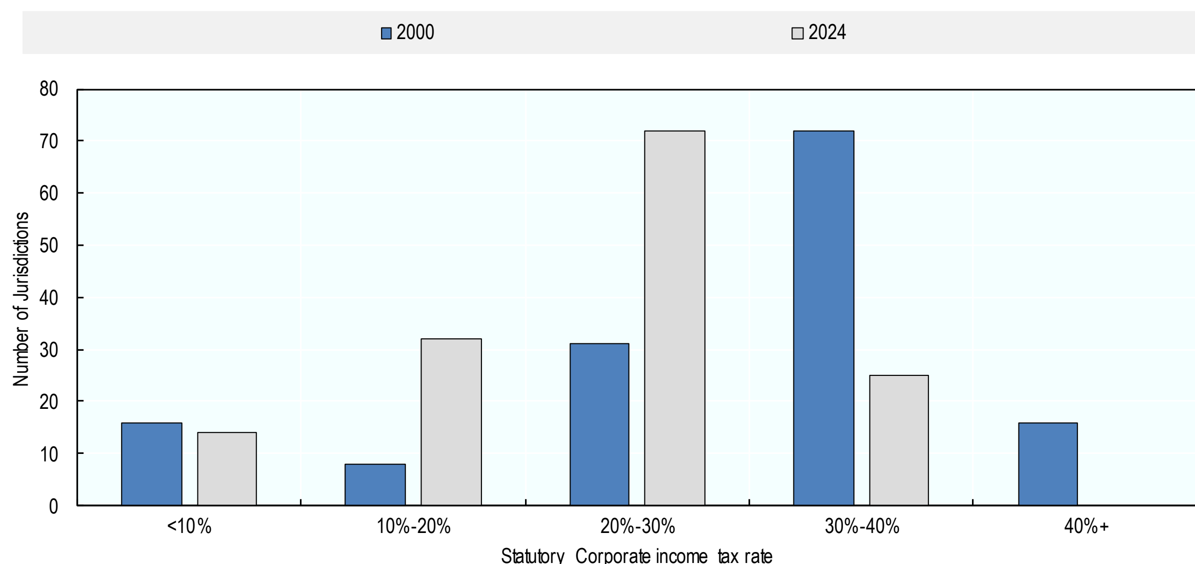
Figure 2.2. Changing distribution of statutory corporate income tax rates



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Corporate tax rate trends across regions

Since 2000, average STRs have declined across OECD member states and the three regional groupings jurisdictions considered: African jurisdictions, Asian and Pacific jurisdictions and Latin American and The Caribbean (LAC) jurisdictions Figure 2.3.[4]

The grouping with the most significant decline in the average STR has been OECD members (a decline of 8.6 p.p., from 32.3% in 2000 to 23.7% in 2024) followed by LAC with a decline of 5.7 p.p. in 35 jurisdictions, from 26.8% in 2000 to 21.1% in 2024. While the averages have fallen for each grouping over this period, significant differences between the averages for each group remain: the average STR for Africa was 26.5% in 27 jurisdictions in 2024, compared to 23.7% for OECD members, 21.1% in 35 jurisdictions for LAC and 20.4% for 35 jurisdictions in Asia and Pacific.

Recent years have seen a stabilisation of STRs across most of jurisdiction groups covered. From 2019 to 2024, the average STR across all jurisdictions covered has remained relatively stable with a rate of 21.7% in 2019 and 21.1% in 2024. Similarly, there have been declines of only 1.2% in Africa, 0.4% in Asia, 1.1% in LAC, and 0.2% in the OECD.

Over the same period (2019-2024), there have been 14 jurisdictions who have increased their STR, while 29 countries have decreased their rate. In 2023, there were 5 jurisdictions who increased their rate, while 4 jurisdictions decreased their rate. The inclusion of jurisdictions with STRs of zero affects the average tax rate and has larger effects on some regions than on others, since zero rate jurisdictions are not evenly distributed among the different groups. Excluding zero-rate jurisdictions raises the overall average STR by about 1.6 p.p. per year, while the general trends remain the same (see Figure 2.4). From 2000 to 2024, the overall average statutory rate for non-zero rate jurisdictions declined from 29.6% to 22.9%, with some stabilisation in more recent years.

The effect of excluding zero-rate jurisdictions varies by grouping. There are no zero-rate jurisdictions in the OECD or amongst the 27 African jurisdictions, and so the average STRs of these groupings are not affected. However, one of the 35 Asian and Pacific jurisdictions and seven of the 35 LAC jurisdictions have statutory corporate tax rates set at zero. Excluding zero-rate jurisdictions therefore has the largest effect on the average ETR of the LAC region. In 2024, the average STR across all 35 LAC jurisdictions (21.1%)

was 5.3 p.p. lower than the average STR for the 28 LAC jurisdictions with positive CIT rates (26.4%). With the exclusion of zero-rate jurisdictions, the average of the remaining 28 LAC jurisdictions is higher than the OECD average and is almost the same as the average statutory rate for the 27 African jurisdictions.

Figure 2.3. Average statutory corporate income tax rates by region

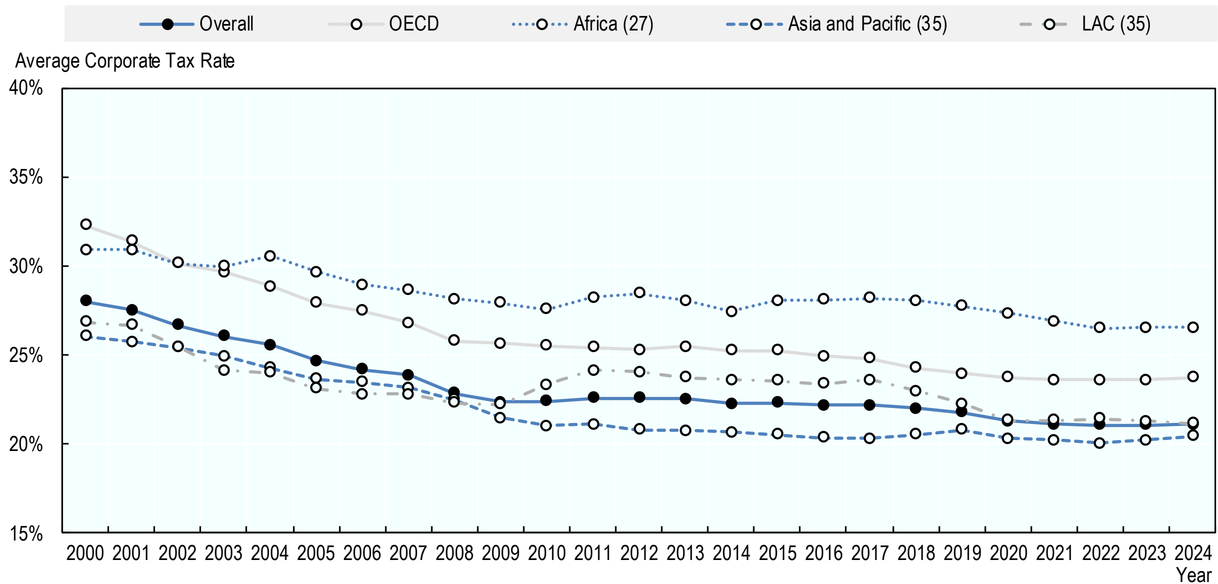

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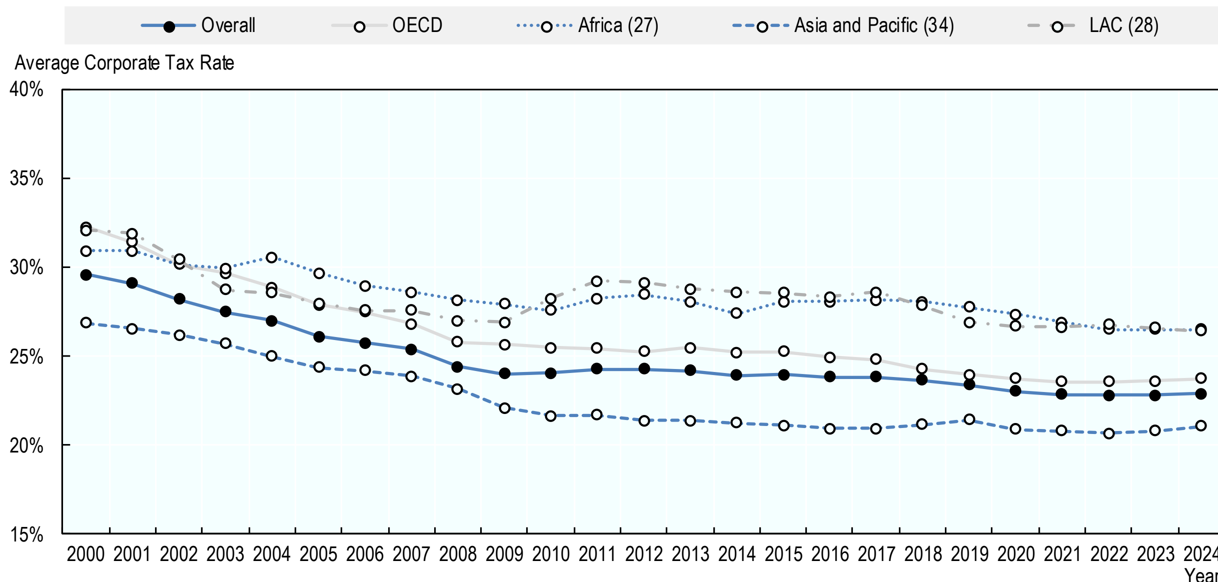
Figure 2.4. Average statutory corporate income tax rates by region excluding zero-rate jurisdictions



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The standard statutory corporate income tax rate is not the only corporate tax rate

Standard STRs provide a snapshot of the corporate tax rate in a jurisdiction. However, jurisdictions may have multiple tax rates with the applicable tax rate depending on the characteristics of the corporation and the income.

- Some jurisdictions operate preferential tax regimes with lower rates offered to certain corporations or income types.
- Some jurisdictions tax retained and distributed earnings at different rates.
- Some jurisdictions impose different tax rates on certain industries.
- Some jurisdictions have progressive rate structures or different regimes for small and medium sized companies.
- Some jurisdictions impose different tax rates on non-resident companies than on resident companies.
- Some jurisdictions impose lower tax rates in special or designated economic zones.

Jurisdictions with broadly applicable tax regimes available to international companies

Preferential tax regimes are especially important in understanding how standard STRs do not always capture the incentives that may exist to engage in BEPS behaviours. In particular, some jurisdictions offer or have offered very low rates through regimes that are available to international companies with relatively few restrictions, while maintaining high standard STRs (OECD, 2022[2]).

For example, a number of jurisdictions offer or have offered International Business Companies regimes. Companies qualifying for these regimes pay a reduced rate of tax relative to the standard STR. While that standard STR may be quite high in these jurisdictions, qualifying international business companies were typically exempt from tax or paid tax at a very low rate. There are also special cases, like Malta, which offers a refund of up to six-sevenths of corporate income taxes to both resident and non-resident investors through its imputation system.

Except for the Maltese imputation system, which is not in the scope of the BEPS project, all of the regimes belonging to jurisdictions for which STR data is available in the *Corporate Tax Statistics* database have been, or are in the process of being, amended or abolished to be aligned with the BEPS Action 5 minimum standard. These changes should greatly diminish the incentives these regimes provide for BEPS behaviour.

Taxes on distributed earnings

Another way in which standard STRs may not reflect the rates imposed on companies is if jurisdictions tax distributed earnings in addition to (or instead of) a CIT on all profits.

In some jurisdictions, there is a tax on all corporate profits when they are earned and an additional tax on any earnings that are distributed. This was the case in India, for example, where corporate profits, whether retained or distributed, were taxed at the standard rate, and an additional tax on dividend distributions raised the total tax rate on distributed profits. From 2020 companies are no longer subject to this dividend distribution tax which has led to a large reduction in the STR from 40.6% in 2019 to 25.2% in 2024.

In other jurisdictions, there is no tax on profits when they are earned, and corporate tax is only imposed when profits are distributed. This is the case in Estonia and Latvia, which both tax distributed profits at 20% and impose no tax on retained earnings. While a standard STR of 20% is reported for both jurisdictions in the *Corporate Tax Statistics* database, the rate faced by corporations in these jurisdictions could be much lower and will depend on the proportion of profits that are distributed. In the case of both of these jurisdictions, where a corporation retains all profits and does not pay any dividends in a given period, it will not be subject to any CIT.

References

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OECD (2021), *Tax Challenges Arising from Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://doi.org/10.1787/782bac33-en. [1]

Notes

[1] However, Malta offers a refund of up to six-sevenths of corporate income taxes to both resident and non-resident investors through its imputation system. The corporate tax rate in Belize is 40% but as this rate applies only to the petroleum industry, the corporate tax rate in Belize has been included in this database as 0% to ensure consistency of treatment across all jurisdictions.

[2] Jersey's current corporate income tax regime offers bands of 0%, and for certain targeted sectors, 10% and 20%.

[3] Andorra and the Maldives have since amended or abolished their preferential regimes that were not compliant with the BEPS Action 5 minimum standard.

[4] As the sample of jurisdictions for which tax revenue data are available and the sample of jurisdictions for which statutory corporate tax rate data are available are not identical, the average corporate tax revenue and STR data for the different regional groups should not be directly compared.

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