

Web Appendix A

Country	Statutory	1st Year	5-Year	Labor Tax	Other Taxes	VAT and		Notes
	Corporate	Effective	Effective			Sales Tax		
	Tax Rate	Tax Rate	Tax Rate					
Argentina	35.00	23.54	23.80	19.51	14.51	24.00		
Armenia	20.00	11.48	12.46	16.00	0.53	20.00		
Australia	30.00	21.96	23.03	11.38	0.24	10.00		
Austria	34.00	20.86	21.04	25.11	0.19	20.00		
Belgium	33.99	16.71	19.57	24.27	0.54	21.00		
Bolivia	25.00	39.87	39.87	10.18	17.58	14.94	9,10	
Brazil	34.00	15.49	15.49	31.45	4.32	73.54		
Bulgaria	19.50	8.60	10.24	26.36	1.02	20.00		
Burkina Faso	35.00	22.28	22.54	13.99	4.07	18.00		
Canada	36.12	21.78	25.93	7.04	4.52	15.00		
Chile	17.00	15.09	15.09	2.04	2.17	19.00		
China	33.00	15.75	15.75	36.71	0.88	18.87		
Colombia	38.50	24.28	24.28	23.64	4.40	16.97		
Croatia	20.06	6.04	11.90	14.16	0.00	22.07	1	
Czech Republic	28.00	9.29	13.00	29.68	0.02	19.00		
Denmark	30.00	21.94	24.53	0.61	1.14	25.00		
Dominican Republic	25.00	26.58	26.58	10.62	0.99	13.00	9,10	
Ecuador	25.00	18.90	19.08	10.30	0.77	12.00		
Egypt	34.00	17.07	20.43	21.74	0.51	10.00	2	
Finland	29.00	16.30	18.84	18.04	0.73	22.00		
France	35.43	14.06	14.42	37.65	3.32	21.10	9,11	
Georgia	20.00	11.06	11.06	26.29	1.36	20.50		
Germany	37.07	23.50	23.60	16.75	0.04	16.00	3	
Ghana	35.00	19.55	22.48	10.60	0.01	13.54		
Greece	35.00	19.78	19.91	23.80	0.21	18.00		
Hong Kong, China	17.50	0.00	12.25	3.95	0.00	0.00		
Hungary	18.00	9.48	9.62	31.01	5.26	27.20		
India	36.59	20.28	24.29	14.21	3.28	25.65		
Indonesia	30.00	20.84	21.01	8.00	0.09	10.00		
Ireland	12.50	9.62	9.62	9.12	0.00	21.00		
Israel	35.00	25.72	25.98	5.04	1.19	17.17		
Italy	37.25	23.82	23.82	35.23	0.27	20.00		
Jamaica	33.33	19.67	23.42	9.75	0.95	15.00		
Japan	42.05	28.66	31.64	10.00	2.16	5.00	4	
Jordan	15.72	12.24	12.28	9.33	0.45	16.00	5	
Kazakhstan	30.00	18.79	20.62	14.96	1.69	15.00		
Kenya	30.00	23.62	24.84	5.44	4.90	16.30		
Korea	26.73	14.94	18.38	5.87	0.65	10.00		
Kyrgyz Republic	20.00	9.94	11.88	21.20	0.44	26.30		
Latvia	15.00	5.20	8.47	20.40	0.44	18.00		
Lebanon	15.00	10.20	10.24	18.23	0.00	10.00		
Lithuania	15.00	4.14	7.25	26.21	1.08	18.48		
Madagascar	30.00	16.43	19.99	14.21	1.24	20.00	9,11	
Malawi	30.00	17.32	25.07	0.85	0.00	17.50	9,10	
Malaysia	28.00	10.50	16.13	9.79	0.35	10.00		
Mali	35.00	20.97	21.23	17.73	3.33	18.00		
Mexico	33.00	22.21	22.48	18.46	0.70	15.00	9,12	
Mongolia	30.00	0.00	6.63	15.27	0.30	15.00	6	
Morocco	35.00	17.74	22.33	16.71	0.27	20.00		
Mozambique	32.00	25.59	25.59	3.39	1.35	17.00		
Netherlands	34.50	25.62	25.62	12.90	0.50	19.00		
New Zealand	33.00	26.44	28.45	0.00	0.12	12.50		
Nigeria	32.00	20.69	21.99	6.54	0.40	5.00		
Norway	28.00	18.50	20.33	11.96	0.00	24.00		
Pakistan	41.00	31.28	32.42	9.77	0.53	15.00	9,11	
Panama	30.00	16.88	20.25	10.39	7.62	5.00		
Peru	30.00	22.03	23.57	8.27	1.83	19.00		
Philippines	32.00	22.08	22.88	7.24	3.14	10.68		

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Country	Statutory	1st Year	5-Year	VAT and			Notes
	Corporate Tax Rate	Effective Tax Rate	Effective Tax Rate	Labor Tax	Other Taxes	Sales Tax	
Poland	19.00	11.54	12.47	16.01	0.98	22.00	
Portugal	27.50	16.03	16.10	20.07	0.71	19.00	
Romania	25.00	15.17	15.35	27.35	0.53	19.00	
Russia	24.00	12.62	12.98	29.41	2.30	18.00	
Senegal	33.00	22.01	22.34	15.06	5.06	18.00	9,10
Singapore	20.00	10.25	13.17	10.68	2.18	5.00	
Slovakia	19.00	5.40	8.63	29.03	0.22	19.00	
Slovenia	25.00	14.38	15.76	14.64	0.29	20.00	
South Africa	30.00	18.10	22.69	1.99	2.01	14.14	
Spain	35.00	18.52	18.61	33.23	0.18	16.00	
Sri Lanka	32.50	23.00	23.09	12.72	1.66	16.00	
Sweden	28.00	10.47	14.93	27.16	0.33	25.00	
Switzerland	24.10	13.74	16.18	8.57	0.45	7.60	7
Taiwan, China	25.00	17.83	18.01	7.73	1.87	5.00	
Tanzania	30.00	18.05	20.69	13.57	0.08	20.30	
Thailand	30.00	22.04	22.26	4.18	3.79	7.00	
Tunisia	35.00	20.63	23.45	15.27	0.00	19.24	
Turkey	30.00	16.92	16.92	22.96	0.34	18.00	
Uganda	30.00	19.42	21.94	8.48	0.43	17.50	
Ukraine	25.00	10.68	13.16	31.51	0.09	20.00	
United Kingdom	30.00	18.61	21.44	8.19	1.10	17.50	
United States	45.20	18.19	31.99	7.18	4.56	8.25	8
Uruguay	30.00	25.45	25.53	3.07	0.00	26.00	
Venezuela	34.00	19.21	19.72	13.32	2.80	16.48	
Vietnam	28.00	18.37	18.79	14.42	0.17	10.00	
Zambia	35.00	17.68	25.32	4.24	0.00	17.50	
Zimbabwe	30.90	14.66	20.23	3.52	4.87	15.00	9

Notes The Statutory Corporate Tax Rate includes all levies on corporate income (and also those that are levied on the corporate income tax itself).

- 1 There exists a Forest Contribution on Earnings before Taxes which is deductible both from its own tax base and from the tax base for the Corporate Income Tax.
- 2 The State Development Duty on Earnings before Taxes in excess of EGP 18,000, which is technically deductible from the tax base for the Corporate Income Tax. However, the tax authorities did not allow this deduction.
- 3 The Trade Tax is deductible both from its own tax base and from the tax base for the Corporate Income Tax.
- 4 The Enterprise Tax on Earnings before Taxes is deductible from its own tax base and that of the Corporate Income Tax.
- 5 The Contribution to the education and vocational training support fund is deductible from the tax base for the Corporate Income Tax.
- 6 There is an exemption from the Corporate Income Tax in the first year of a company's operations.
- 7 The Corporate Income Tax is deductible from its own tax base.
- 8 The New York City corporation franchise tax is deductible both in the tax base of the New York state corporation franchise tax and of the Federal Corporate Income Tax. The New York state corporation franchise tax is deductible in the tax base of the Federal Corporate Income Tax.
- 9 There exists a Minimum Tax.
- 10 The Minimum Tax applies.
- 11 The Minimum Tax does not apply.
- 12 There is an exemption from the Minimum Tax for the first three years.

Web Appendix B

Sample 1 - Countries with the same tax regime regardless of legal form

Argentina, Armenia, Austria, Belgium, Brazil, Bulgaria, Chile, Colombia, Croatia, Denmark, Dominican Republic, Ecuador, Egypt, Germany, Hong Kong, China, Hungary, Indonesia, Ireland, Italy, Jamaica, Japan, Jordan, Korea, Latvia, Lebanon, Lithuania, Malaysia, Mexico, Mongolia, Morocco, Mozambique, Netherlands, Nigeria, Panama, Peru, Philippines, Portugal, Romania, Russia, Slovakia, South Africa, Spain, Switzerland, Taiwan, China, Thailand, Tunisia, Turkey, United Kingdom, Uruguay, Vietnam

Sample 2 - Countries with different tax regimes depending on legal form

Australia, Canada, China, Finland, France, Ghana, Greece, Kenya, Kyrgyz Republic, New Zealand, Norway, Singapore, Sri Lanka, Sweden, Tanzania, Uganda, United States, Venezuela, Zambia

Sample 3 - Countries for which we do not have information on how the legal form affects the tax regime

Bolivia, Burkina Faso, Czech Republic, Georgia, India, Israel, Kazakhstan, Madagascar, Malawi, Mali, Pakistan, Poland, Senegal, Slovenia, Ukraine, Zimbabwe

Basic regression restricted to Sample 1

	Panel A - Investment					
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment 2003-05			FDI 2003-05		
Statutory Corporate Tax Rate	-0.129 (0.086)			-0.160** (0.063)		
1st Year Effective Tax Rate		-0.237*** (0.086)			-0.229*** (0.062)	
5-year Effective Tax Rate			-0.250** (0.101)			-0.211*** (0.075)
Constant	25.332*** (2.473)	25.683*** (1.547)	26.345*** (1.954)	8.356*** (1.802)	7.717*** (1.107)	7.796*** (1.455)
Observations	50	50	50	49	49	49
R-squared	0.04	0.14	0.11	0.12	0.23	0.14

	Panel B - Entrepreneurship					
	(1)	(2)	(3)	(4)	(5)	(6)
	Business Density			Average entry rate 2000-04		
Statutory Corporate Tax Rate	-0.139** (0.062)			-0.227*** (0.063)		
1st Year Effective Tax Rate		-0.189*** (0.063)			-0.211*** (0.063)	
5-year Effective Tax Rate			-0.191** (0.074)			-0.273*** (0.072)
Constant	8.792*** (1.779)	8.071*** (1.128)	8.447*** (1.438)	14.314*** (1.841)	11.325*** (1.138)	12.921*** (1.403)
Observations	50	50	50	35	35	35
R-squared	0.09	0.16	0.12	0.28	0.25	0.30

Standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Web Appendix B

Basic regression restricted to Sample 2

	Panel A - Investment					
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment 2003-05			FDI 2003-05		
Statutory Corporate Tax Rate	0.194			-0.297**		
	(0.245)			(0.107)		
1st Year Effective Tax Rate		0.188			-0.336**	
		(0.307)			(0.138)	
5-year Effective Tax Rate			-0.008			-0.248*
			(0.266)			(0.124)
Constant	15.594*	18.307***	21.874***	12.069***	8.797***	7.882***
	(7.840)	(5.722)	(5.728)	(3.427)	(2.578)	(2.667)
Observations	19	19	19	19	19	19
R-squared	0.04	0.02	0.00	0.31	0.26	0.19

	Panel B - Entrepreneurship					
	(1)	(2)	(3)	(4)	(5)	(6)
	Business Density			Average entry rate 2000-04		
Statutory Corporate Tax Rate	-0.163			0.028		
	(0.223)			(0.158)		
1st Year Effective Tax Rate		-0.031			0.180	
		(0.293)			(0.198)	
5-year Effective Tax Rate			-0.085			0.174
			(0.243)			(0.162)
Constant	11.255	6.680	7.864	8.630	6.366	5.946
	(7.159)	(5.354)	(5.174)	(5.074)	(3.584)	(3.450)
Observations	16	16	16	14	14	14
R-squared	0.04	0.00	0.01	0.00	0.06	0.09

Standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Web Appendix B

Basic regression restricted to Sample 3

	Panel A - Investment					
	(1)	(2)	(3)	(4)	(5)	(6)
	Investment 2003-05			FDI 2003-05		
Statutory Corporate Tax Rate	-0.070			-0.191*		
	(0.200)			(0.096)		
1st Year Effective Tax Rate		-0.300**			-0.139*	
		(0.126)			(0.072)	
5-year Effective Tax Rate			-0.372***			-0.188**
			(0.125)			(0.070)
Constant	22.335***	26.003***	28.150***	8.155**	5.123***	6.449***
	(6.080)	(2.609)	(2.803)	(2.912)	(1.483)	(1.574)
Observations	16	16	16	16	16	16
R-squared	0.01	0.29	0.39	0.22	0.21	0.34

	Panel B - Entrepreneurship					
	(1)	(2)	(3)	(4)	(5)	(6)
	Business Density			Average entry rate 2000-04		
Statutory Corporate Tax Rate	-0.353			-0.058		
	(0.199)			(0.163)		
1st Year Effective Tax Rate		-0.263*			-0.105	
		(0.146)			(0.110)	
5-year Effective Tax Rate			-0.314*			-0.121
			(0.148)			(0.116)
Constant	14.655**	9.345**	10.945***	8.978*	9.259***	9.845***
	(5.993)	(3.065)	(3.354)	(4.806)	(2.260)	(2.614)
Observations	14	14	14	13	13	13
R-squared	0.21	0.21	0.27	0.01	0.08	0.09

Standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Web Appendix C

FDI Regressions using OECD data

Basic regression, no control

	(1)	(2)	(3)
	OECD FDI 2002-2004		
Statutory Corporate Tax Rate	-0.248*** (0.069)		
1st Year Effective Tax Rate		-0.277*** (0.090)	
5-Year Effective Tax Rate			-0.268*** (0.083)
Constant	10.525*** (2.144)	7.874*** (1.672)	8.250*** (1.717)
Observations	28	28	28
R-squared	0.33	0.27	0.28

Standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%