

THE
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FOUNDATION

TAX HELLS INDEX 2022



OVERVIEW

The 1841 Foundation is a U.S. based not for profit foundation that aims to protect individuals' right to privacy and property and to promote fair and transparent tax competition.

Our mandate is to raise funds for ongoing education, regulatory outreach, and media awareness of these complex issues.

"A country that has a high tax rate does not automatically qualify as Hell.

Rather, 'hell' is a much more comprehensive and complex concept.

In my view, a 'tax hell' is not simply one with high taxes, but rather one with weak rule of law and where the rights to privacy and property are not properly applied or protected."

Martín Litwak
Founder and Chairman

Our inaugural paper **"Tax Hells"** has been created to **benchmark those jurisdictions that combine high tax regimes with on-going government mismanagement.**

Our goal is to create an annual index and highlight jurisdictional frameworks year after year.

The Tax Hells Index is an in-depth look at both the qualitative and quantitative data that is released annually by both the IMF and The World Bank.

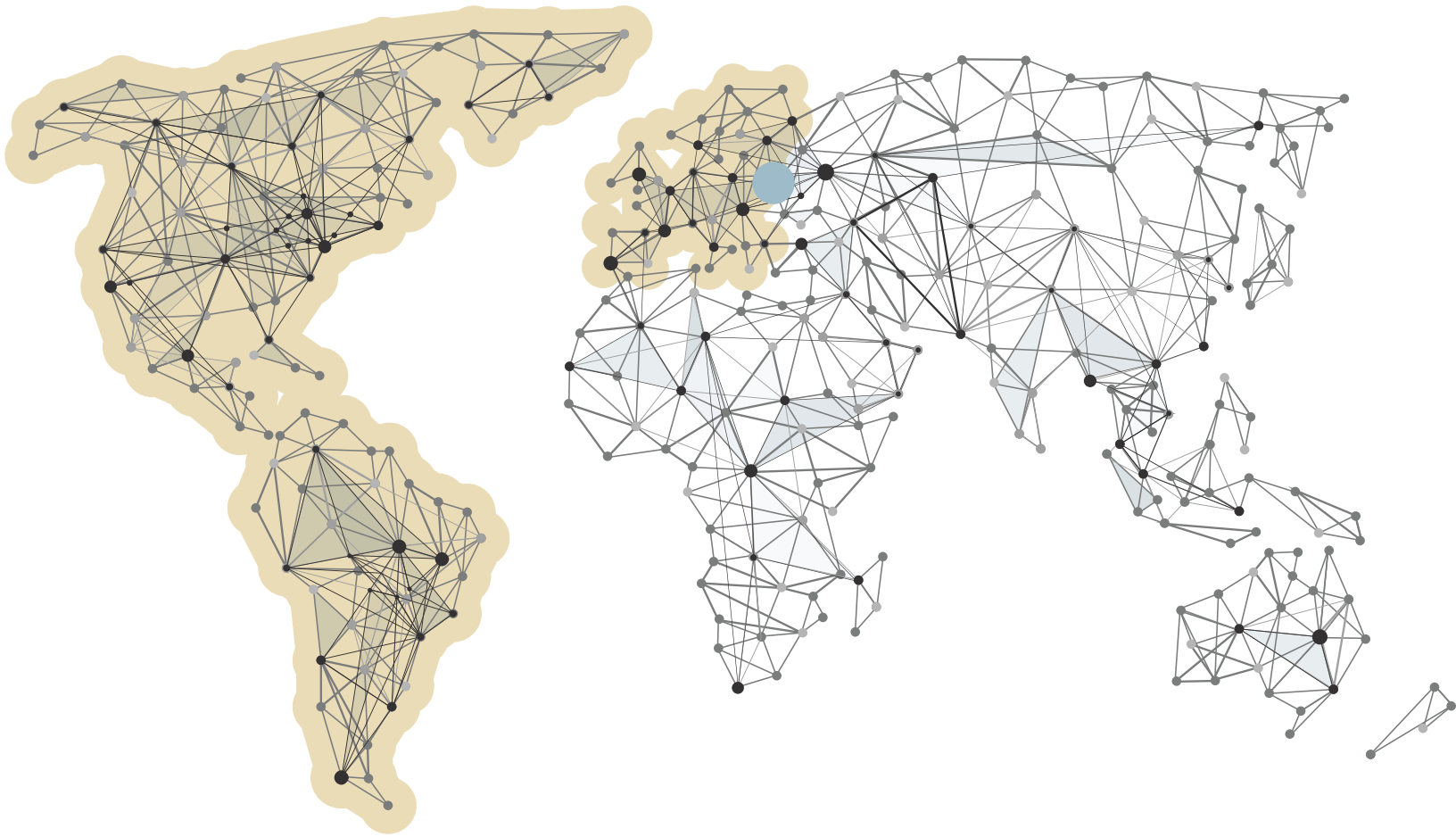
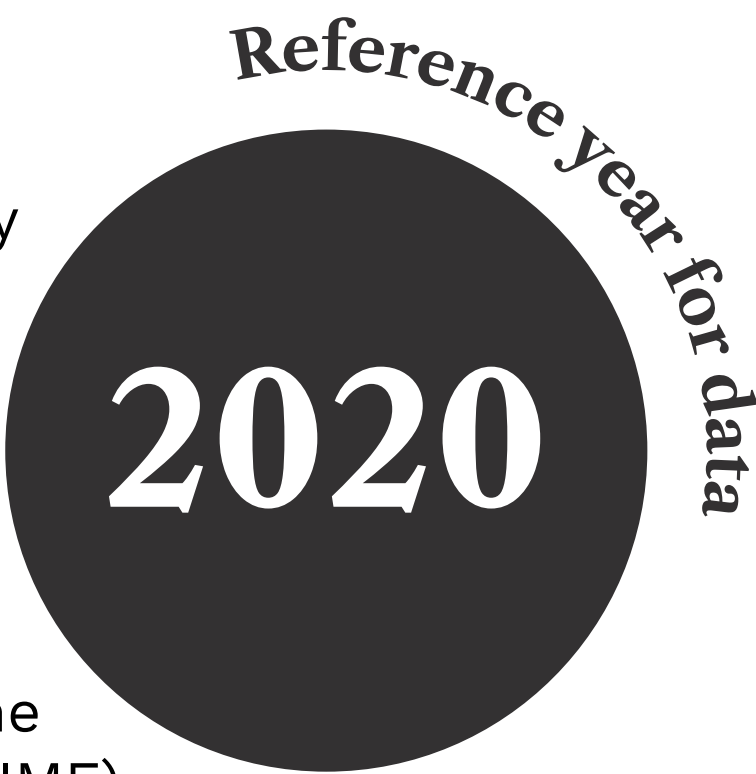
By drawing out critical insights from this data, The 1841 Foundation was able to create a comprehensive index and critically examine 94 countries against a stringent framework. The data examined included much more than tax data, but also examined governments and their ability to function efficiently and effectively for their citizens.



TAX HELLS

Scope of research:
for this first edition we have only
focused on countries in Europe
and the Americas, which gives a
total of 94 countries.

Data source:
all information was public
information taken from the
International Monetary Fund (IMF)
and the World Bank.



METHODOLOGY

Each country was evaluated in two main areas:

Quantitative, which represents 60% of the total score.

Qualitative or Quality of Government, which represents 40% of the total score.

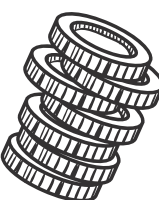
In the **quantitative area**¹ the following items were considered:

- a) Fiscal pressure measured as total taxes as a percentage of the country's GDP.
- b) Debt pressure measured as total public debt over GDP.
- c) Inflationary tax pressure, measured as an inflation index.
- d) Potential fiscal pressure measured as the difference between government spending and revenue over GDP.

In the **qualitative area**², a series of indicators were taken into consideration, including "Voice & Accountability", "Rule of Law", "Regulatory Quality", "Political Stability", "Government Effectiveness" and "Control of Corruption".

1. The information was extracted from the IMF

2. The indicators were downloaded from the World Bank database.



AUTHOR'S NOTES

Although the greatest weight is carried by fiscal pressure, we believe that a “Tax Hell” is not only a country with high taxes, but rather a country with a weak rule of law and where the rights to privacy and property are not enforced or protected as required.

What is
a Tax Hell?

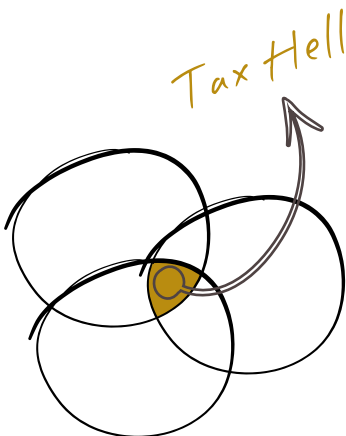
The protection of private property, the ease -or lack thereof- with which a country can change its taxes, its predictability and the quality of its government must also be considered.

To be
considered:
private property,
tax changes,
predictability,
government quality.

+ government
quality
+ legal
stability
+ high taxes
= NOT a tax hell

Therefore, when considering the results, countries with high government quality and economic and legal stability may have high taxes (i.e., Denmark), but are very far from being considered Tax Hells.

The results we have obtained in this first edition of the Tax Hell Index confirm our view that it is not taxes that determine the status of tax hell, but the combination of all factors.



In fact, there are countries with both low and high taxes in the Top-12 tax hells; all of them, however, have low quality of government, high levels of corruption and discretion, poor economic management, and weak institutions.

COUNTRIES IN THE TOP-12 TAX HELLS

LOW OR HIGH TAXES
LOW QUALITY OF GOVERNMENT
HIGH LEVELS OF CORRUPTION
POOR ECONOMIC MANAGEMENT
WEAK INSTITUTIONS

TAX HELL RANKING 2020



Belarus



#1. 



Known for potatoes, tractors, and being **one of the poorest countries in Europe** based on total wealth, Belarus is known as the last country in Europe that was run by a dictator (Alexander Lukashenko) with Lukashenko proudly proclaiming himself as an ally of Putin during Russia’s invasion of The Ukraine.

		
Tractors	Poverty	Lukashenko



Minsk, Belarus



Venezuela



Venezuela's economy is forecast to expand at its fastest pace in 15 years, with its gross domestic product expected to grow 8.3% this year according to the projections that various economists have confirmed to Bloomberg. This might surprise the uninformed observer; however, the country has been governed by two left-wing dictators since the victory of Hugo Chavez in the 1999 presidential elections. There is unfortunately no end in sight for both the humanitarian and political crisis and the negative effects that this country, together with Cuba, have had in the Latin American region (recent elections in Colombia, Chile and Peru are clear signs of this). Venezuela continues to have political prisoners and millions of Venezuelans have fled the country in search of food and jobs. Also, it is not very difficult to rebound from an 80% decrease in the country's GDP.

Political prisoners	People fleeing	Maduro and Chavez



Argentina

#3. 

Argentina

Argentina’s annual inflation rate soared past 70% in July 2022—the highest level in three decades—according to data released by the Argentine government in October 2022, and it could hit 90% or more by the end of the year.

This runaway inflation has left many in the country mired as they turn to barter and parallel currency markets amid dwindling Central Bank reserves, a bloated fiscal deficit, and a looming debt bomb.

In addition to this, Argentina has spent more time in default than any other country since World War II and had to confiscate the savings of its population five times to overcome financial crises. Also, the rule of law and the protection of private information of its citizens are basically non-existent in the country.

		
High inflation	Parallel currency	Financial crisis



Russian Federation

#4. 

Russian Federation



Russia's economy has avoided the meltdown many predicted after Moscow sent its troops into Ukraine six months ago, with higher prices for its oil exports cushioning the impact of Western sanctions. However, hardships are beginning to emerge for some Russian citizens.

Predictions at one point indicated that the Russian economy would shrink more than 12% this year, exceeding the fall in output that was observed after the collapse of the Soviet Union and during the 1998 financial crisis. However, the economy ministry now expects only a 4.2% contraction.



Oil extraction



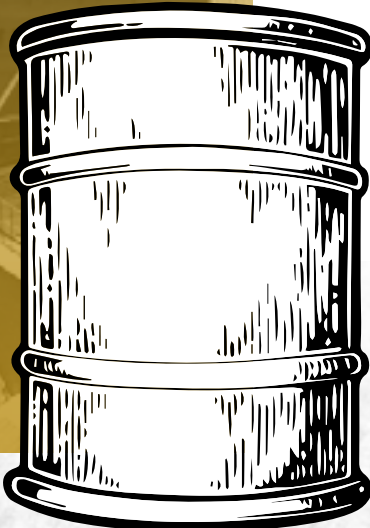
Economy contraction



War in Ukraine



Moscow, Russia Federation



Ukraine (*)

#5. 

Ukraine



Ukraine’s economy was expected to shrink by 4.1% in 2022, in contrast with the pre-war projections indicating a 3% growth, as a result of the combination of the economic shocks from the war and the ongoing impacts of the COVID-19 pandemic. This would constitute the second contraction in many years, and one twice as large as the pandemic-induced contraction of 2020.

The Ukraine’s economy is now expected to shrink by an estimated 45.1% this year, although the magnitude of the contraction will depend on the duration and intensity of the war.

(*) Note to reader: although Ukraine occupies a position on our Tax Hells Index, we note for the record that being a “Tax Hell” in no way justifies being invaded by another country. We also note that Ukraine has long struggled to distance from Russia. It remains to be seen where Ukraine will sit on the 2023 Tax Hells Index given current events in 2022.

		
COVID ongoing impacts	Economic shock	Russian invasion



Nicaragua




#6.




Nicaragua is still one of Latin America’s least developed countries, where access to basic services is a daily challenge.

The World Bank has supported poverty reduction measures in Nicaragua through the International Development Association (IDA), the World Bank’s fund for the poorest countries.

Following a two-year recession brought on by the sociopolitical crisis of 2018, the country suffered further declines in economic activity due to the COVID-19 pandemic and two major hurricanes in 2020.

		
Water access	Poverty reduction	Sociopolitical crisis



Bolivia

#7. 



One of the poorest and most underdeveloped Latin American countries, Bolivia faces declining economic growth while suffering an increase in drug production and usage. In 2017, a national journalism award was given to a news piece on child sexual abuse—putting a spotlight on a prevalent problem. Protecting the most vulnerable is an ongoing issue.

Bolivia has one of Latin America’s highest rates of gender violence, affecting women at home and in the workplace. Many children are threatened by exploitation from human trafficking and cyberbullying.

		
Drug production increase	Declining economic growth	Women exploitation



Bosnia and Herzegovina

#8. 
Bosnia and Herzegovina



The economy of Bosnia and Herzegovina bounced back strongly in 2021 from the pandemic-induced economic crisis, with growth estimated at 7.1%

Real GDP growth was driven by a surge in exports, and robust growth in private consumption.


However, output growth in 2022 is expected to slow to 2.7%, as the war in Ukraine disrupts trade and exacerbates energy and food price increases.

		
<i>Pandemic economic crisis</i>	<i>Consumption growth</i>	<i>Exports surge</i>



Sarajevo, Bosnia and Herzegovina

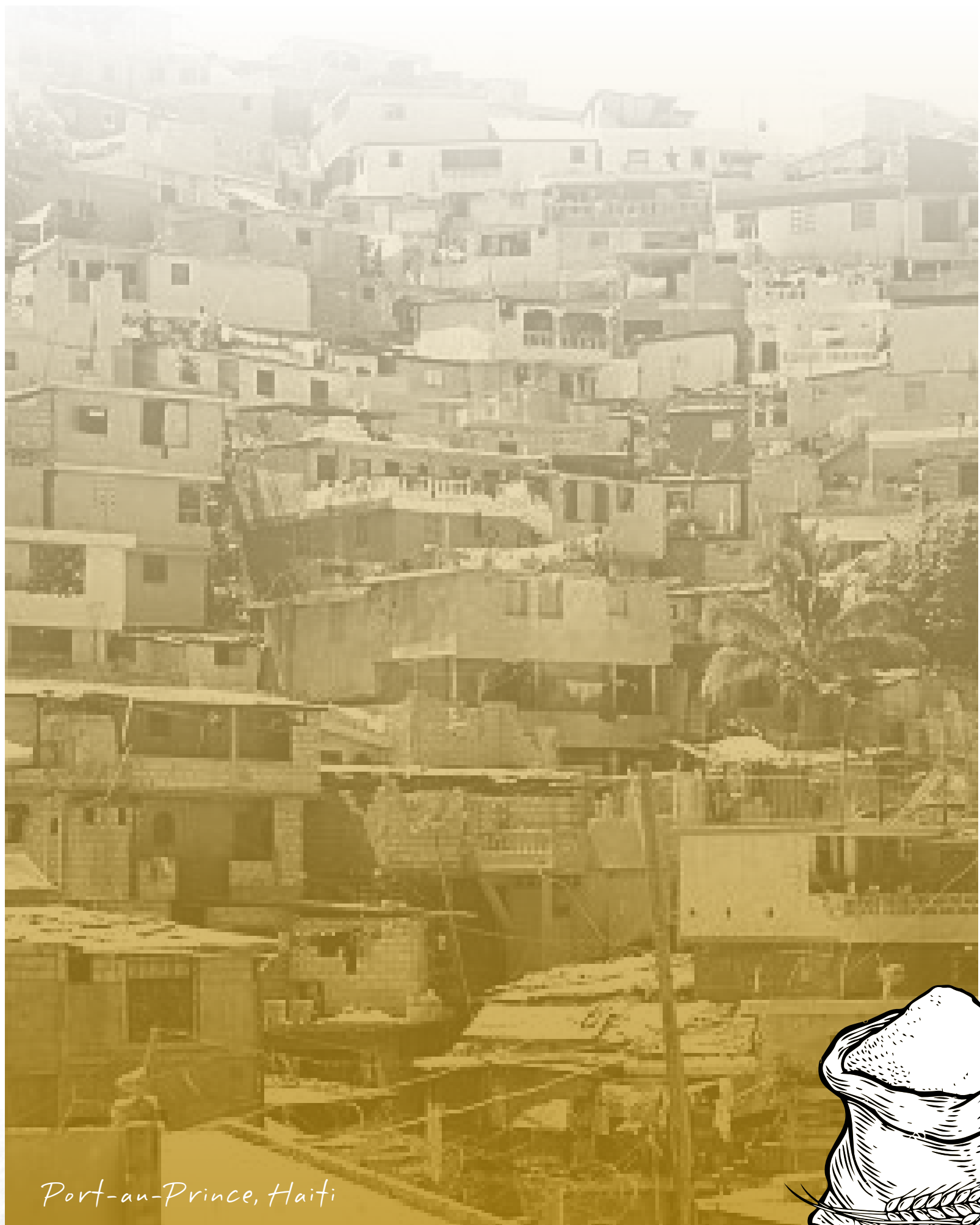
Haiti

#9. 



Haiti remains the poorest country in the LAC region and among the poorest countries in the world. In 2021, Haiti had a GDP per capita of US\$1,815, the lowest in the LAC region and less than a fifth of the LAC average of US\$15,092. On the UN's Human Development Index, Haiti ranked 170 out of 189 countries in 2020.

		
Poverty	Natural disasters	Slums



Port-au-Prince, Haiti



Honduras

#10. 



Honduras remains one of the poorest countries in the Western Hemisphere. Prior to the twin shocks of 2020, 25.2% of the Honduran population lived in extreme poverty and almost half (4.4 million people) lived in poverty, based on the official poverty lines.

Poverty had shown little decline since 2014, while extreme poverty has increased in rural areas since 2014 and in urban areas since 2017. Rural inequality also rose sharply from a Gini index of 0.431 in 2014 to 0.486 in 2019. Overall, Honduras had in 2019 the fourth-highest level of income inequality (Gini index of 0.482) in the LAC region.

		
High poverty levels	Rural areas	Inequality



Mexico



#11. 



Mexico is among the 15 largest economies in the world and the second largest economy in Latin America. The country has strong macroeconomic institutions, and it is open to trade.

Over the last three decades Mexico has underperformed in terms of growth, inclusion, and poverty reduction compared to similar countries. Its economic growth averaged just above 2 percent a year between 1980 and 2018, limiting progress in convergence relative to high income economies.

Mexico is also facing a war against drug cartels and other forms of violence. Over the years, most of the cities included in the ranking of most violent cities in the world are Mexican cities. **In fact, currently the eight most violent urban centers in the world are all Mexican.** For the fifth consecutive year, a Mexican city is the most violent in the world. Last year, the most violent Mexican city in the world was Zamora. The rate of 196.63 homicides per 100 thousand inhabitants in this city is the second-highest level recorded since this ranking was created, only surpassed by the rate of Juárez in 2010.

		
Strong institutions	Drug war	Violence and homicides



Suriname

#12. 



In 2015, Suriname’s economy began to contract, and the budget and balance of payments came under severe distress. Government revenue from mining fell sharply, foreign reserves were drained, and GDP growth dwindled.

By 2020, a severe fiscal and balance of payments crisis began to unfold in Suriname, which continued into 2021. Domestic vulnerabilities were exacerbated by the COVID-19 pandemic, leading to a sharp GDP contraction (15.9% in 2020) and increasing unemployment and poverty. In 2021, Suriname had a GDP per capita of US\$5,166, below its peak of US\$9,350 in 2014 and well below the LAC regional average of US\$15,092.

		
<i>Fiscal crisis</i>	<i>Unemployment</i>	<i>Poverty</i>



Paramaribo, Suriname

Tax hells index 2022

Country	Cuantitative	Cualtitative	Score	Conclusion
Belarus	7.33	16.00	10.80	Tax Hell
Venezuela	6.00	18.00	10.80	Tax Hell
Argentina	10.00	10.00	10.00	Tax Hell
Russian Federation	6.67	15.00	10.00	Tax Hell
Ukraine	8.00	13.00	10.00	Tax Hell
Nicaragua	4.00	17.00	9.20	Tax Hell
Bolivia	5.33	15.00	9.20	Tax Hell
Bosnia and Herzegovina	6.67	13.00	9.20	Tax Hell
Haiti	3.33	18.00	9.20	Tax Hell
Honduras	5.33	14.00	8.80	Tax Hell
Mexico	6.00	13.00	8.80	Tax Hell
Suriname	8.00	10.00	8.80	Tax Hell
Ecuador	5.33	13.00	8.40	Risky
Moldova	6.67	11.00	8.40	Risky
Belize	6.00	11.00	8.00	Risky
Brazil	6.00	11.00	8.00	Risky
El Salvador	5.33	12.00	8.00	Risky
Montenegro	8.00	8.00	8.00	Risky
Serbia	6.67	10.00	8.00	Risky
Guatemala	3.33	14.00	7.60	Risky
India	6.00	10.00	7.60	Risky
Paraguay	4.67	12.00	7.60	Risky
Kosovo	4.00	12.00	7.20	Risky
Colombia	5.33	10.00	7.20	Risky
Armenia	6.00	9.00	7.20	Risky
Guyana	4.67	11.00	7.20	Risky
Croatia	7.33	6.00	6.80	Normal
Jamaica	6.67	7.00	6.80	Normal
Slovak Republic	7.33	6.00	6.80	Normal
Dominica	8.00	5.00	6.80	Normal
Greece	8.00	5.00	6.80	Normal
Italy	8.00	5.00	6.80	Normal
Peru	4.67	10.00	6.80	Normal
Sao Tome and Principe	4.67	10.00	6.80	Normal
Hungary	7.33	5.00	6.40	Normal
Panama	5.33	8.00	6.40	Normal
Antigua and Barbuda	6.00	6.00	6.00	Normal
Barbados	8.00	3.00	6.00	Normal
Bulgaria	5.33	7.00	6.00	Normal
Cyprus	8.00	3.00	6.00	Normal
Dominican Republic	4.00	9.00	6.00	Normal
Poland	6.67	5.00	6.00	Normal
St. Kitts and Nevis	6.67	5.00	6.00	Normal
Trinidad and Tobago	4.67	8.00	6.00	Normal
United States	8.00	3.00	6.00	Normal
Georgia	5.33	6.00	5.60	Normal
St. Vincent and the Grenadines	7.33	3.00	5.60	Normal
North Macedonia	4.67	7.00	5.60	Normal
Romania	4.67	7.00	5.60	Normal
Spain	8.00	2.00	5.60	Normal
Belgium	8.00	1.00	5.20	Normal
France	8.00	1.00	5.20	Normal
St. Lucia	5.33	5.00	5.20	Normal
United Kingdom	8.00	1.00	5.20	Normal
Austria	7.33	1.00	4.80	Normal
Germany	7.33	1.00	4.80	Normal
Slovenia	7.33	1.00	4.80	Normal
The Bahamas	5.33	4.00	4.80	Normal
Canada	8.00	0.00	4.80	Normal
Iceland	8.00	0.00	4.80	Normal
Latvia	6.67	2.00	4.80	Normal
Portugal	8.00	0.00	4.80	Normal
Uruguay	6.67	2.00	4.80	Normal
Finland	7.33	0.00	4.40	Normal
Grenada	3.33	6.00	4.40	Normal
Puerto Rico	3.33	6.00	4.40	Normal
Czech Republic	6.67	1.00	4.40	Normal
Malta	6.67	1.00	4.40	Normal
Netherlands	6.67	1.00	4.40	Normal
Estonia	6.00	1.00	4.00	Normal
Lithuania	6.67	0.00	4.00	Normal
New Zealand	6.67	0.00	4.00	Normal
Norway	6.67	0.00	4.00	Normal
Sweden	6.67	0.00	4.00	Normal
Costa Rica	3.33	4.00	3.60	Normal
Aruba	6.00	0.00	3.60	Normal
Chile	4.67	2.00	3.60	Normal
Luxembourg	6.00	0.00	3.60	Normal
Switzerland	6.00	0.00	3.60	Normal
San Marino	5.33	0.00	3.20	Normal
Denmark	4.67	0.00	2.80	Normal
Ireland	4.67	0.00	2.80	Normal

Contact us

Do you need more information?

For more information or to book an interview with our founder, Martin Litwak, please contact:



Kerry Harris (English)
kerry.harris@the1841foundation.com



Emi Roggiero (Spanish)
emi@the1841foundation.com

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