THE 1841 FOUNDATION

TAX HELL INDEX 2023

special edition

OVERVIEW

The 1841 Foundation is a non-profit organization whose main objectives are to advocate for the privacy and property rights of individuals, and to promote tax competition among countries.

Our mission includes driving relevant educational initiatives, disseminating information about key regulations, and raising public awareness about these complex issues through media campaigns.

> *"A country that has a high tax rate does not automatically qualify as 'hell.' Rather, 'hell' is a much more comprehensive and complex concept. 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 one with a weak rule of law and where the rights to privacy and property are not properly applied or protected."*
>
> **Martín Litwak**
> Founder

As part of our initiatives, we have developed the **Tax Hell Index**, a tool that identifies those jurisdictions that combine high tax rates with low or no legal security.

This index is based on a comprehensive analysis of qualitative and quantitative data released annually by institutions such as the IMF and the World Bank.

About our data analysis

The creation of the **Tax Hell Index** is based on the collection and critical analysis of information provided by reliable public sources.

Not only does the data examined include fiscal information, but also information about governments and their ability to function efficiently and effectively for their citizens.

Third edition

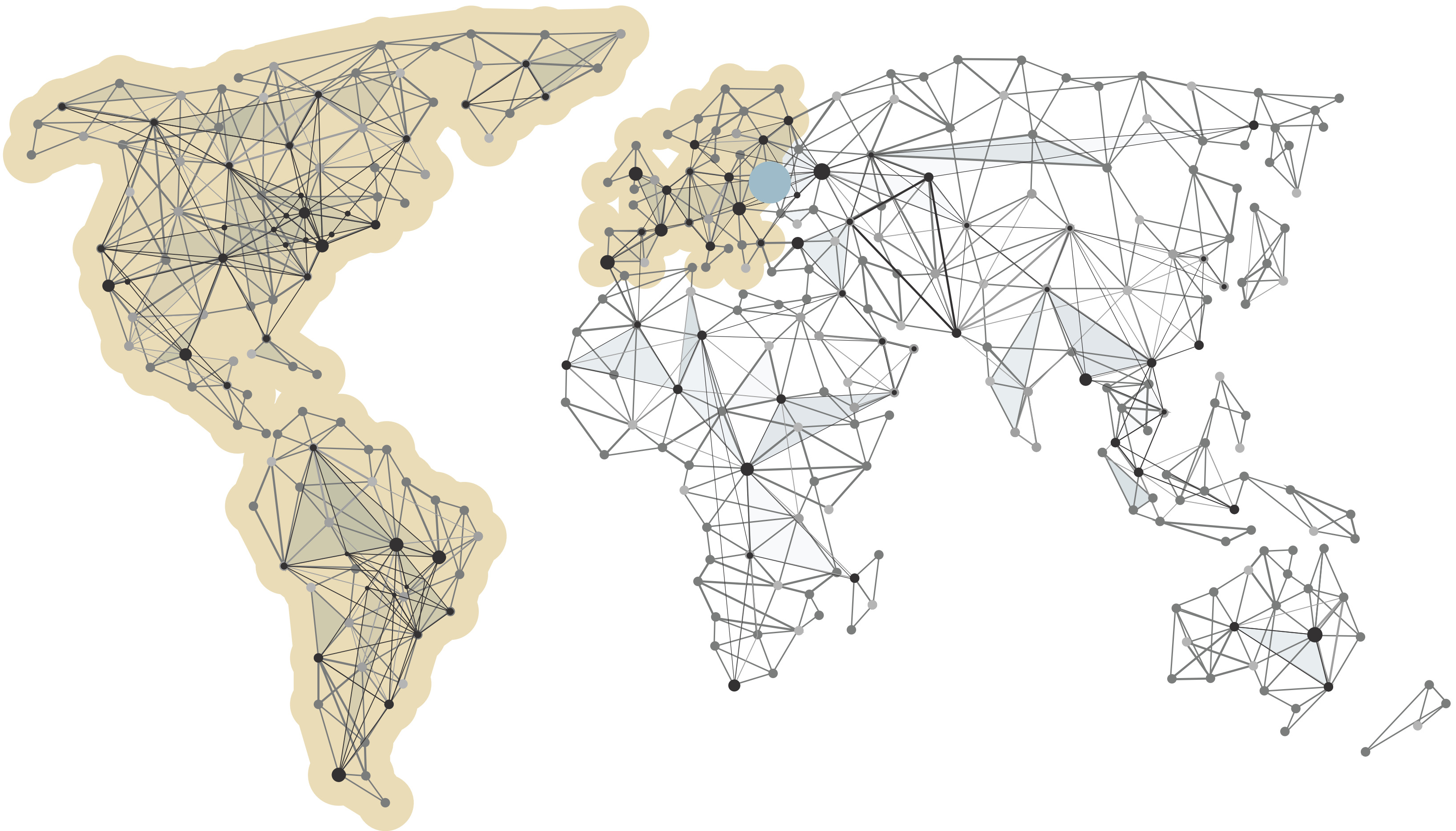
TAX HELL

Data reference year

2022

Scope of research:
In this edition, we focused on Europe and the Americas, covering a total of more than 80 countries.

Data source:
Information obtained from public sources, specifically from the International Monetary Fund (IMF) and the World Bank.



SCOPE OF RESEARCH

82 countries

METHODOLOGY

Each country was evaluated in two main areas:

Quantitative area (60% of the total score). It includes indicators such as:

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

Qualitative area (40% of the total score). Indicators related to the quality of governance were evaluated:

- Voice and accountability.
- Rule of law.
- Regulatory quality.
- Political stability.
- Government effectiveness.
- Control of corruption.

AUTHOR'S NOTES

What is a tax hell?

Although fiscal pressure **– or rather, fiscal effort –** is an important factor, we believe that a 'tax hell' is not only a country with high taxes, but rather one with a weak rule of law and where the rights to privacy and property are not protected properly.

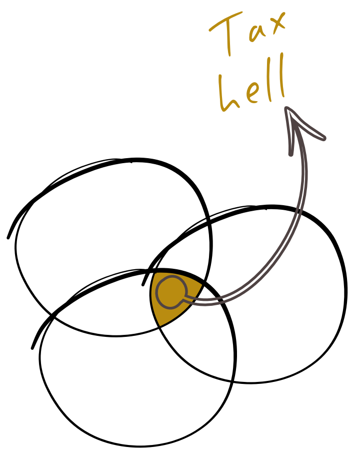
In addition to the tax burden, elements such as the protection of private property, the ease with which a country can change its tax policies, decision-making predictability, and the quality of its government must also be considered.

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

+ government quality
+ economic and legal stability
+ high taxes
= IT IS NOT tax hell

Therefore, in the results of this index, some countries with high taxes but with high-quality governments and economic and legal stability (e.g., Denmark) are not considered tax hells.

The findings of this third 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 the above-mentioned factors.



In fact, among the 15 worst-ranked countries in this edition **– and therefore classified as tax hells –** are both high-tax and low-tax jurisdictions. What they all have in common is low-quality governments, high levels of corruption and discretionary power, poor economic management, and weak institutions.

COUNTRIES AMONG THE 15 WORST-RANKED
HIGH-TAX AND LOW-TAX JURISDICTIONS
LOW-QUALITY GOVERNMENTS
HIGH LEVELS OF CORRUPTION AND DISCRETIONARY POWER
POOR ECONOMIC MANAGEMENT
WEAK INSTITUTIONS

GENERAL OUTLOOK

The **Tax Hell Index** shows widespread deterioration, continuing the trend observed in previous years. Although the situation cannot yet be considered irreversible, data shows that the world is moving toward a global tax hell scenario.

In 2020, the average score of the countries evaluated was 6.21; this score increased to 6.48 in 2021 and stands at 6.64 in 2022. For a country to be considered a tax hell, it must reach a score of 8.6 or higher, while the "risk zone" category starts at 7 points. This means that the index is only 0.36 points away from entering the risk zone, which is a clear warning sign.

This deterioration reflects a series of measures taken by different governments in response to the challenges of recent years, such as:

- **Tax increase:** Increase in tax rates and the creation of new taxes.
- **Increase in public spending and fiscal deficit:** Higher government disbursements, often unsustainable.
- **Limitation of individual freedoms:** Lockdowns, movement restrictions, mandatory vaccination, and repression of dissenting voices.
- **Institutional weakening:** Substitution of traditional roles of Congress or the judiciary by unelected or ad hoc bodies.
- **Undermining of privacy and property rights:** Expansion of information-sharing agreements among countries.

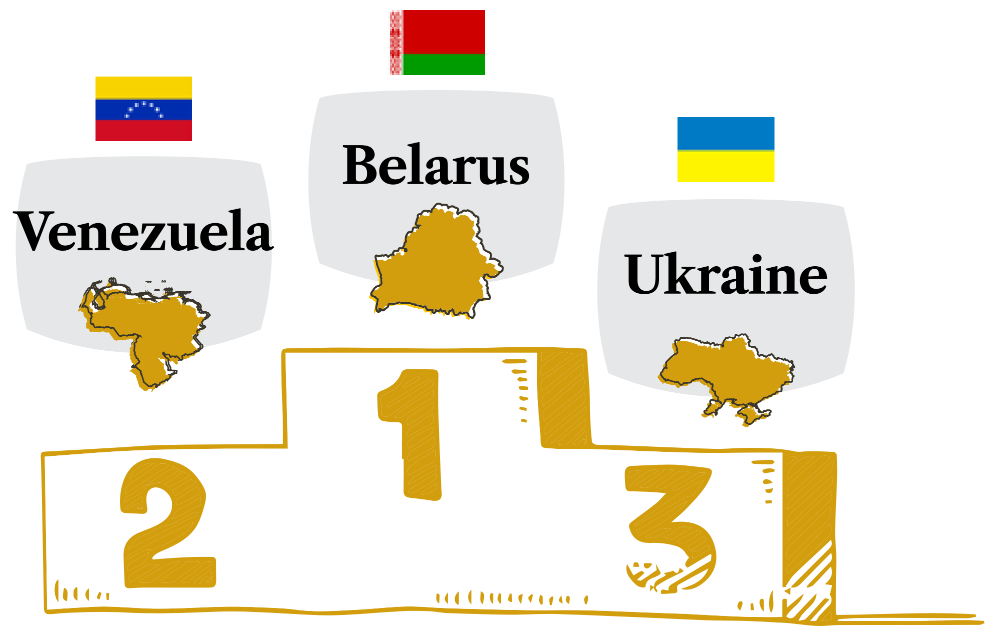
These actions, adopted mainly during the COVID-19 pandemic, the global economic crisis, and the rising cost of living have significantly increased the risk for more countries entering the tax hell category.

CHANGES IN THE RANKING

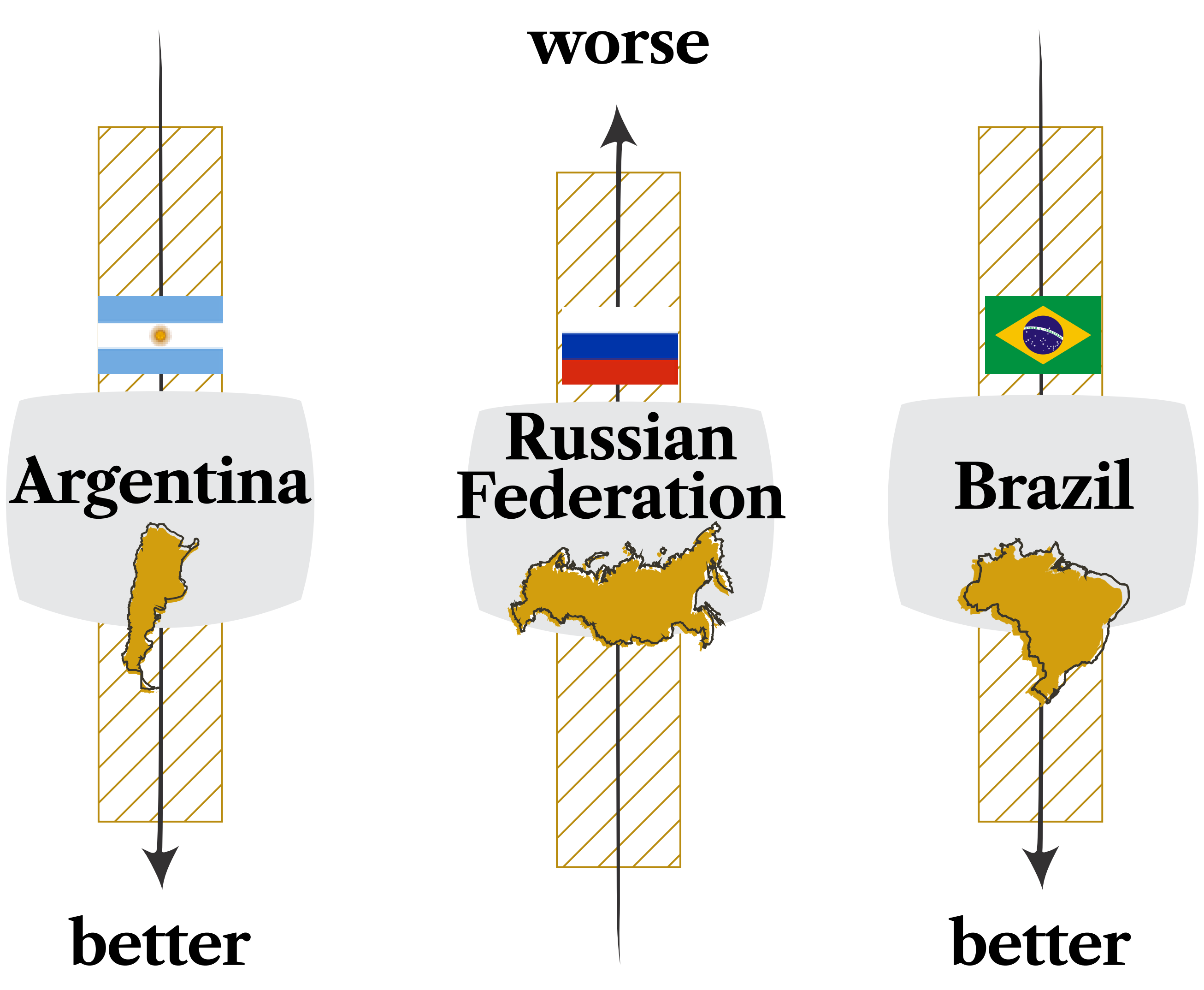
This year's index includes two new countries in the tax hell category, raising the total from 13 to 15 countries. The new additions are Moldova, São Tomé and Príncipe, and surprisingly, Paraguay, while Honduras left the list with a score of 8.4, just below the 8.6 threshold.

There are significant changes in the top three positions:

Ukraine goes up to third place, surpassing Argentina, which drops to fourth place, now tied with the Russian Federation, which experienced a sharp deterioration (from 9.2 to 10.4).



Brazil, which was one of the surprises in the previous index after reaching fifth place, falls to ninth place, possibly due to an improvement in qualitative perceptions after the elections and the scandals related to the power transition.



RANKING OF TAX HELLS 2023

special edition

worse

better

#1. Belarus 11.6

#2. Venezuela 10.8

#3. Ukraine 10.8

#3. Argentina 10.4

#4. Russian Federation 10.4

#5. Suriname 10.0

#6. Bolivia 10.0

#7. Moldova 9.6

#8. Brazil 9.6

#9. Mexico 9.6

#10. Nicaragua 9.6

#12. São Tomé and Príncipe 9.2

#13. Haiti 9.2

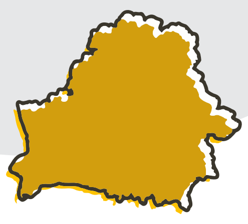
#14. El Salvador 8.8

#15. Paraguay 8.8

Belarus

#1.

Belarus



Leading our ranking once again, Belarus remains an emblematic case of regression in government quality in Europe. Known for its economy based on agricultural production, particularly potatoes, and the manufacturing of heavy machinery such as tractors, Belarus is also one of the countries with the lowest accumulated wealth in Europe. Under the dictatorship of Alexander Lukashenko, the only autocratic Soviet-style leader remaining in Europe, the country has strengthened its alliance with Russia, providing key strategic support during Russia's invasion of Ukraine, such as the transit of troops and military equipment to Kiev.

In this edition of the index, the deterioration of Belarus is more related to the worsening of governance quality indicators than to an increase in fiscal pressure. The centralization of power and the focus on maintaining the privileges of the ruling elite push citizens' rights to the background. This combination of factors turns the country into a tax hell, where state control tramples on both the economy and individual freedoms.

Heavy machinery

Autocratic leader

Lack of freedoms

Minsk, Belarus

Venezuela

#2.

Venezuela

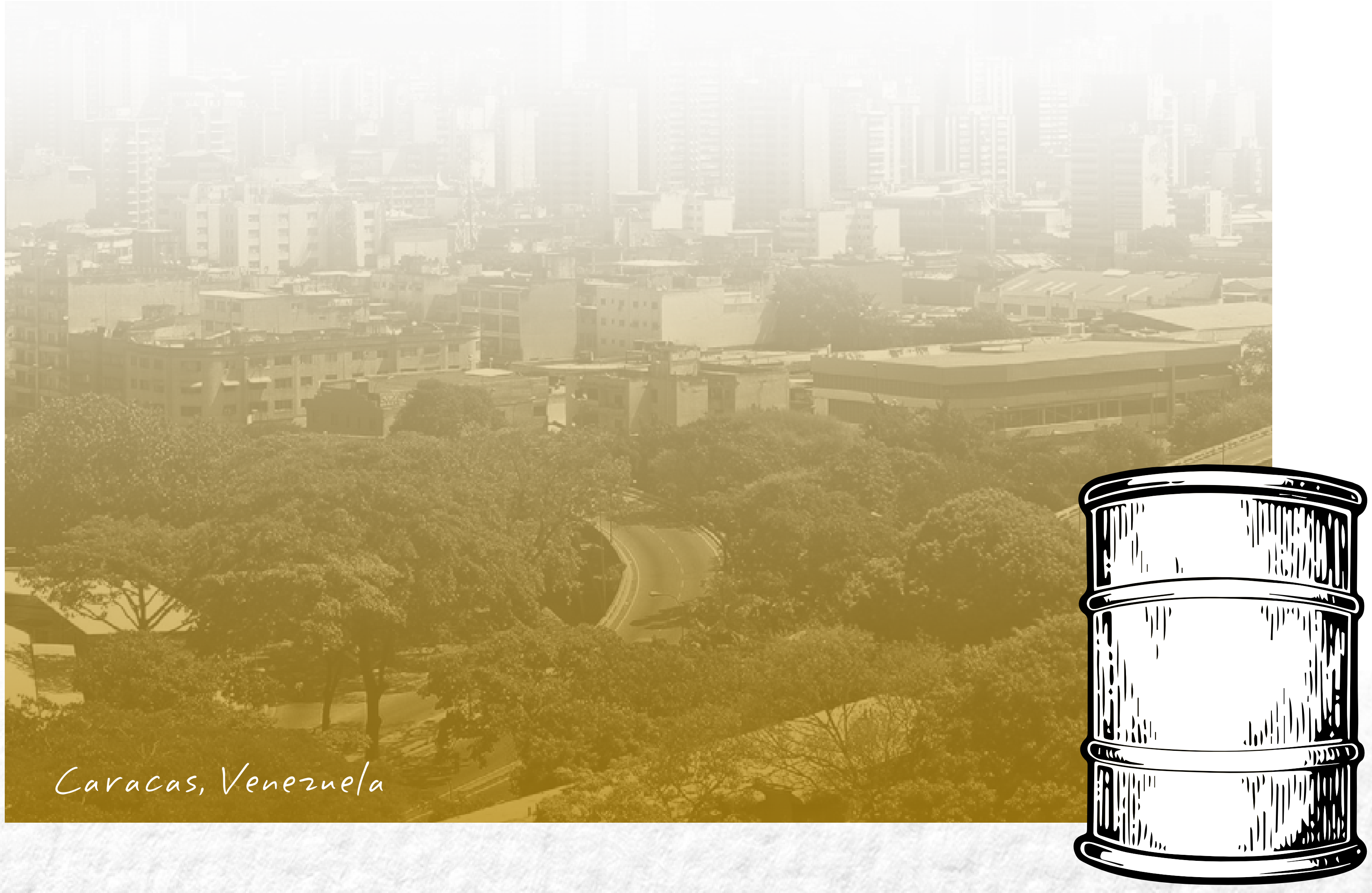
Ranking second for the third consecutive year, Venezuela remains a paradigmatic case in Latin America. Once one of the most prosperous and tolerant nations on the continent, it now faces one of the most severe humanitarian crises in the Western Hemisphere. Since Hugo Chávez came to power in 1999, and with the continuation of the regime under Nicolás Maduro, the country has experienced an unprecedented economic and social collapse.

Uncontrolled inflation, a de facto dollarized economy, and the lack of institutional structures have plunged 90% of the population into poverty. Despite a slight economic recovery in recent years, the absence of clear signs of political change, coupled with Maduro's tight grip on power, keeps Venezuela as one of the worst examples of de-institutionalization and indirect tax pressure, where arbitrary tax policies and institutional corruption exacerbate the crisis.

Continuation of regime

Uncontrolled inflation

Impoverished population



Caracas, Venezuela

Ukraine

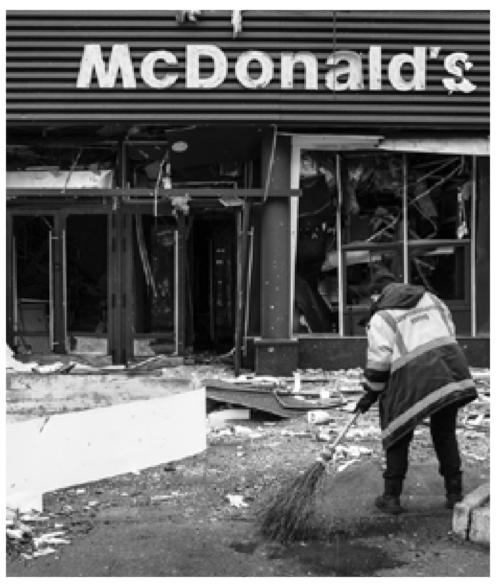
#3.

Ukraine

The case of Ukraine is particularly complex, as its deterioration is intrinsically linked to the war with Russia. Rising from fourth to third place in the index, Ukraine reflects how wartime conditions profoundly impact economic and government indicators. The Russian invasion has devastated critical infrastructure, reduced foreign investment opportunities, and created a scenario of subsistence economy in many areas of the country.

However, the prospects for Ukraine are not entirely negative. If it manages to resist and eventually overcome the invasion, it is expected to undertake a process of integration with the West, including economic and institutional reforms that could significantly improve its position in future rankings. This optimistic scenario, however, depends on the resolution of the armed conflict and continued support from international allies.

Devastated infrastructure



Lack of investment

Subsistence economy

Kiev, Ukraine

Argentina

#4.

Argentina ranks fourth in the index, more due to the deterioration of other countries than its own improvements. Structural problems persist: chronic inflation exceeding 100% annually, multiple exchange rates that hinder foreign trade, an unsustainable public debt, and weak institutional structures.

Historically, Argentina has shown an inability to implement lasting fiscal reforms, as evidenced by its repeated defaults and the confiscation of private savings on five occasions since the mid-20th century. Additionally, the lack of rule of law and insufficient oversight over citizens' privacy reinforce its position as a hostile environment for investment and economic development.

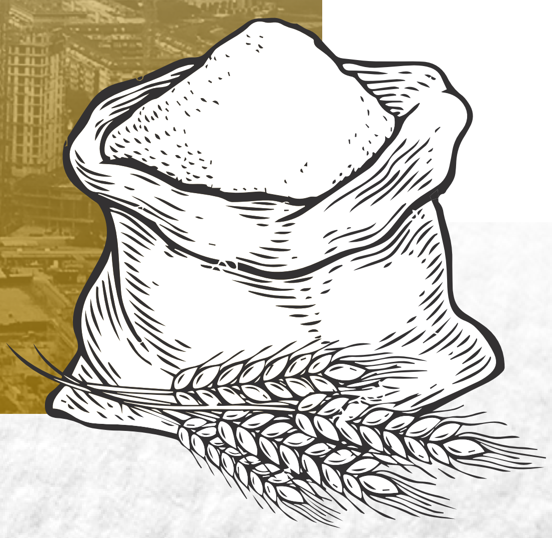
The 2023 presidential election will be crucial.

Chronic high inflation

Multiple exchange rate

Unsustainable debt

Buenos Aires, Argentina



Russian Federation

#5. Russian Federation

Russia's rise to fifth place highlights the impact of the intensification of authoritarianism under Vladimir Putin's regime. The state's encroachment on individual rights and the economy, exacerbated by international sanctions and the concentration of power, has led to a setback in key indicators.

Although the previous year seemed to show a slight improvement due to external factors, such as the poor performance of other countries, this year Russia once again shows its true trend: a stifling state control that suffocates both economic growth and personal freedoms.


Suffocating control


Limited growth


Lack of freedoms

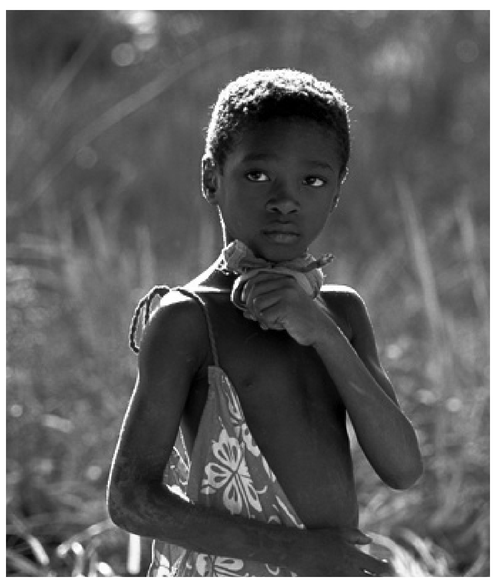

Moscow, Russian Federation

Suriname

#6. 

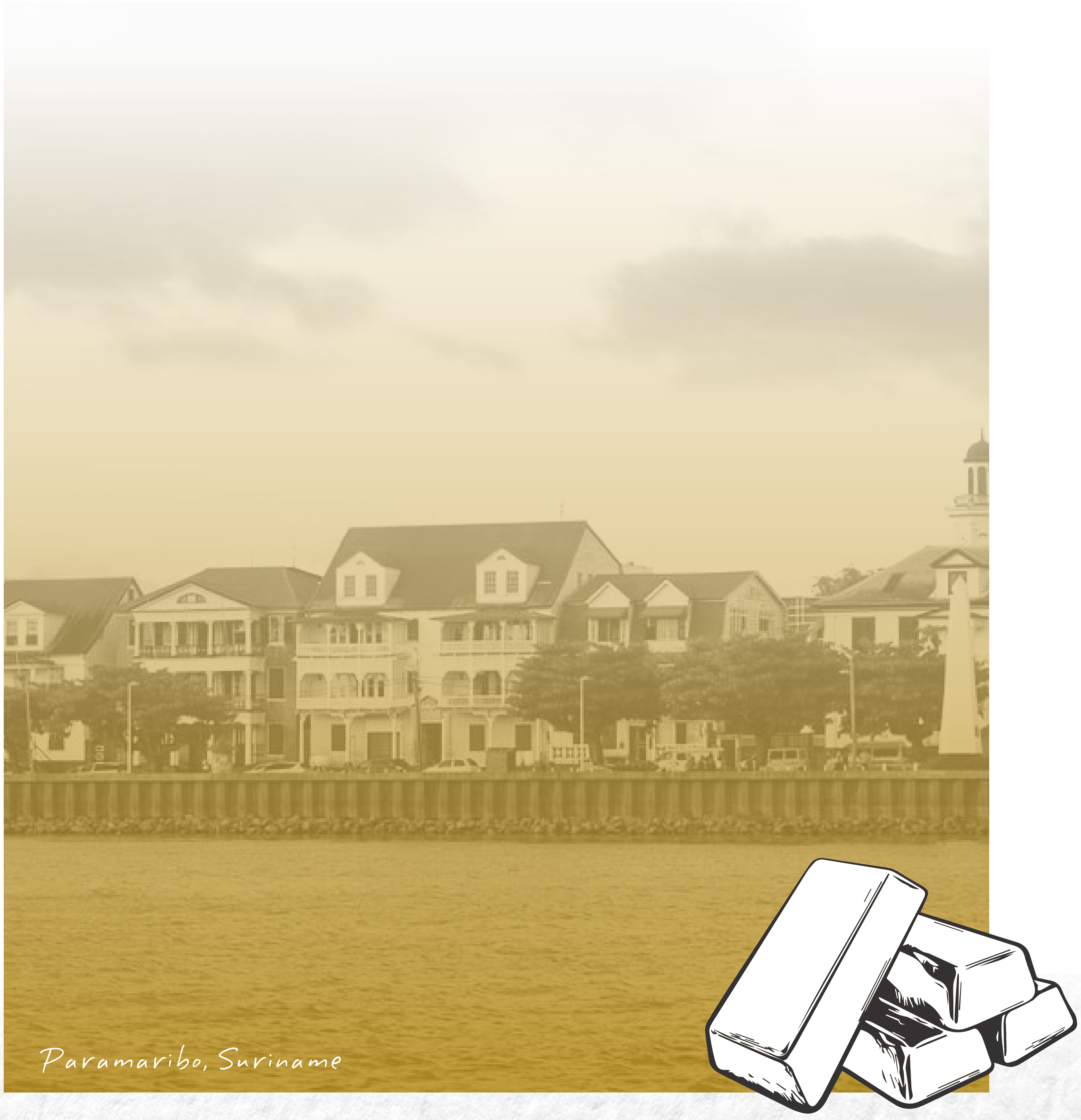
The case of Suriname reflects a slight deterioration in governance quality indicators, although not enough to mark a dramatic change in its relative position in the ranking. This small South American country continues to face enormous economic challenges, including high social inequality and a declining GDP. Despite its better position in the index, this seems more like a relative adjustment than a substantial improvement in its internal conditions.

Economic challenges



Social inequality

Declining GDP



Bolivia

#7. 

Bolivia rises to seventh place in the index, but its improvement seems more statistical than real. Institutional instability, especially since Evo Morales' resignation in 2019 and the subsequent power transition, remains a significant issue. Bolivia's economy, dependent on natural resources, faces persistent challenges that limit its capacity for sustained growth and development. The future does not appear clear at all, neither from a political nor, much less, an economic perspective.

Institutional instability

Limited growth

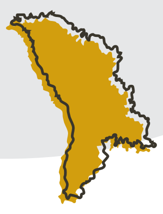
Lack of development

La Paz, Bolivia

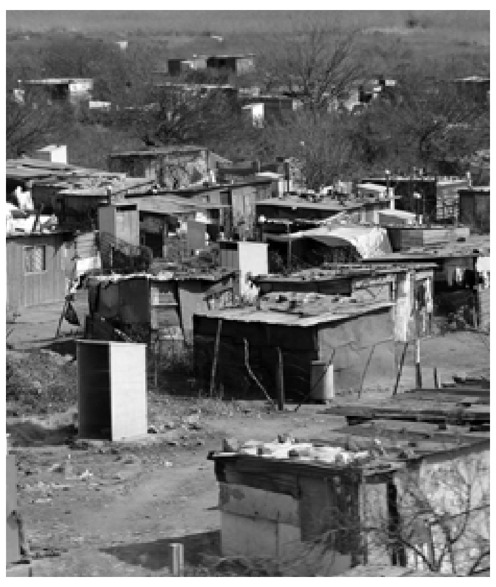
Moldova

#8.

Moldova



Moldova joining the ranking, directly in eighth place, is one of the most remarkable moves of the year. Its rapid deterioration in all indicators, from governance quality to fiscal indicators, illustrates how a combination of structural problems and political instability can quickly change a country's position in this index.



Economic deterioration

Structural problems

Political instability

Chisinau, Moldova

Brazil

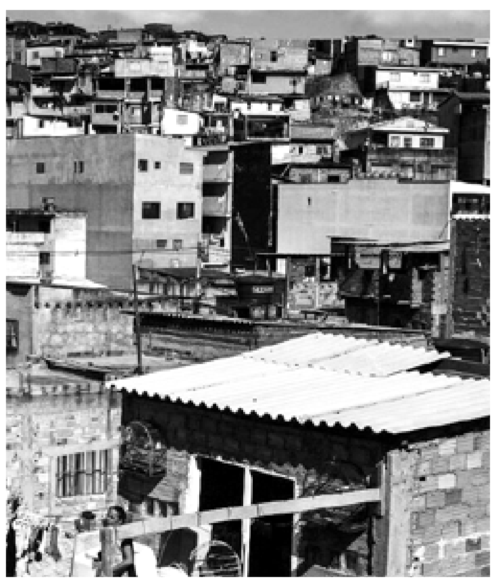
#9.

Brazil

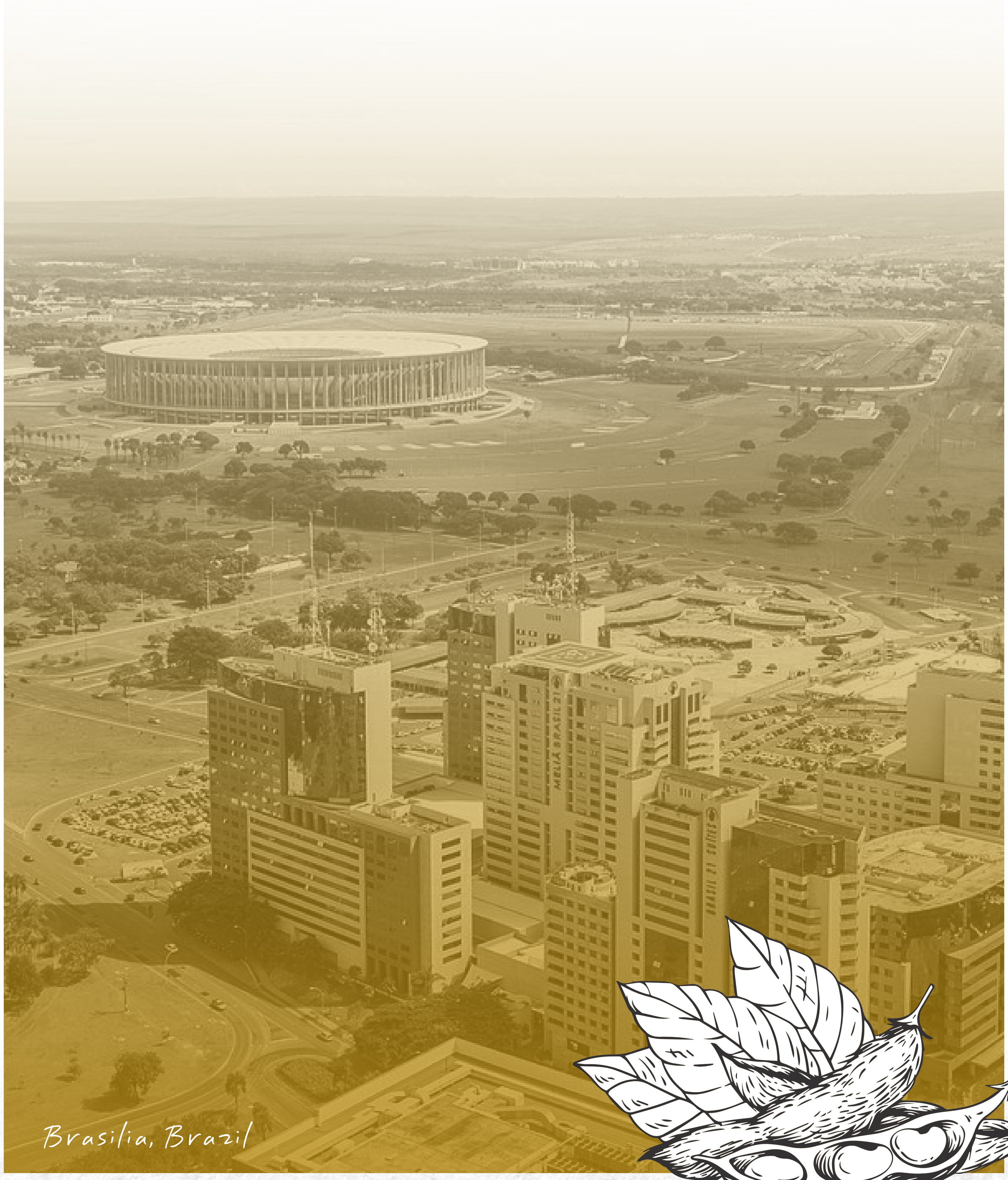
Brazil shows an improvement, moving from fifth to ninth place. This change is partly due to recent efforts to control inflation and reduce public spending. However, political volatility and institutional uncertainty, especially after the transition between Bolsonaro and Lula, continue to be barriers to sustained progress.

Institutional volatility

Political uncertainty



Progress with barriers

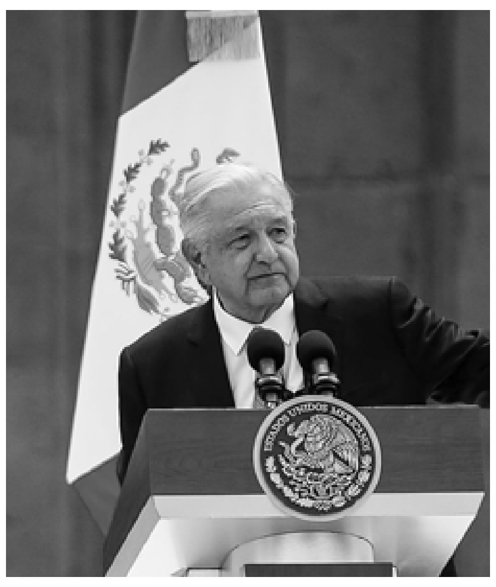


Brasilia, Brazil

Mexico

#10.

Mexico drops to tenth place, reflecting more changes in the dynamics of other countries than significant internal progress. Structural problems persist, and notably low institutional quality and the adoption of populist policies have weakened the country's ability to implement deep and sustainable fiscal reforms. The lack of an efficient tax framework affects the country's competitiveness, reinforcing its position as a concerning case in Latin America, particularly in a global environment that demands agile and strategic fiscal adaptations.

		
Low institutional quality	Populist policies	Lack of tax framework


Mexico DF, Mexico

Nicaragua

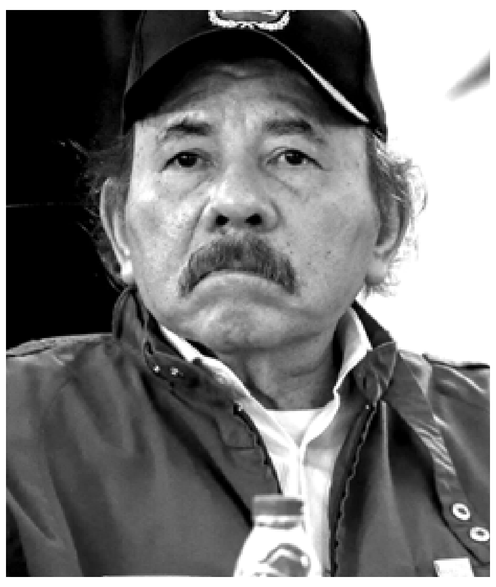
#10. 

Nicaragua

Nicaragua's situation remains mostly unchanged. The country continues to be one of the least developed in Latin America, with limited access to basic services, which presents daily challenges for its population.

Additionally, it remains under a dictatorial regime, which is reflected in its extremely low qualitative indicators. With a government score of 17 (only surpassed in negativity by Venezuela and Haiti), the quality of its government is a decisive factor in its poor overall performance. Although its quantitative average of 4.67 is unusually low for a "tax hell," the lack of institutional structures and strong governance keeps Nicaragua in a critical position.

Lack of development



Dictatorial regime

Lack of structures

Managua, Nicaragua

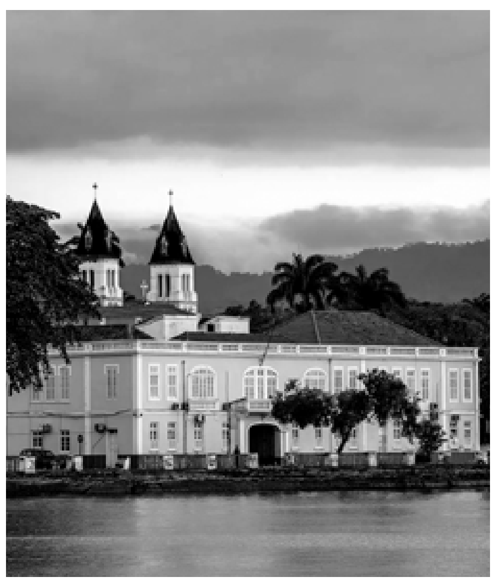
São Tomé and Príncipe

#12. São Tomé and Príncipe

São Tomé and Príncipe comes as a surprise in this index, with a significant deterioration in its indicators and positioning itself as a new concerning actor. This small island nation, which was previously in the risk zone, has experienced a pronounced quantitative decline. However, given the historically volatile nature of its economic indicators, this drop could be an exceptional event, similar to the behavior of the Russian Federation in previous years. Nevertheless, the need to monitor the stability of its fiscal and governmental policies is evident.

Quantitative decline

Fiscal policies



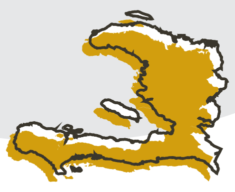
Governmental quality

São Tomé, São Tomé and Príncipe

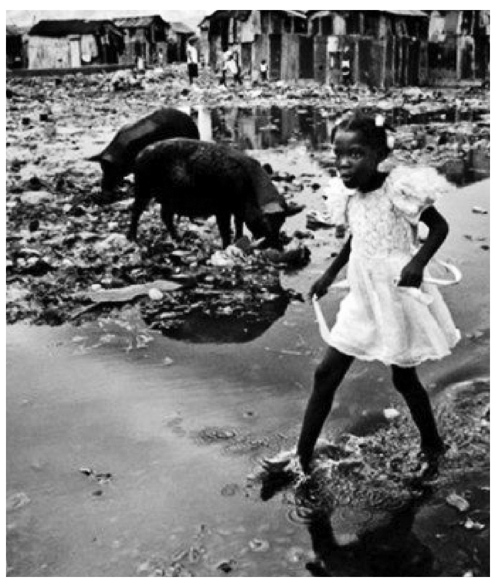
Haiti

#13.

Haiti



Haiti improves its relative position by reaching 13th place in the index, but this change is not due to internal progress, but rather to the deterioration of other countries. From a fiscal perspective, Haiti presents a striking contrast: its quantitative score of 3.33 is surprisingly good, even surpassing European countries like Denmark and Ireland. However, the qualitative indicators, with a rating of 18 out of 18, place it as a "tax hell" due to the lack of basic government services. Haiti remains a failed state where the inability to guarantee fundamental needs hinders any sustainable progress.



Lack of services

Failed state

Hindered needs

Puerto Príncipe, Haiti

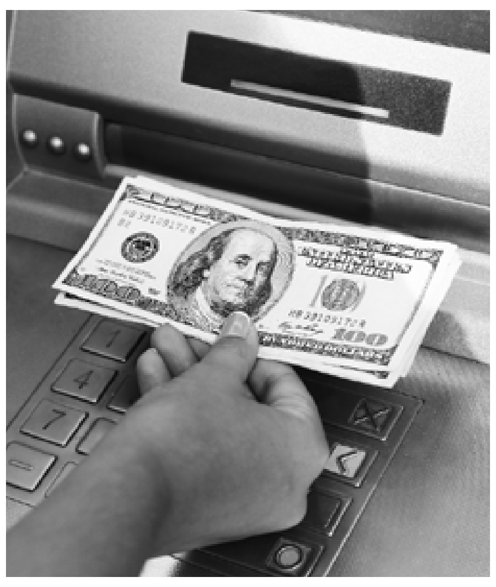
El Salvador

#14. El Salvador

El Salvador, which entered the index last year, appears to be consolidating its place in the ranking as a more permanent participant. Its indicators have not shown significant improvements or deterioration, but the lack of structural progress suggests a concerning stagnation. Despite modernization efforts, the country faces fiscal and social challenges that make it difficult to leave this ranking in the short term.

Lack of progress

Concerning stagnation



Fiscal challenges

San Salvador, El Salvador

Paraguay

#15.

Paraguay

Paraguay closes the ranking as the country entering for the first time, although by a very narrow margin. Its inclusion reflects more the general deterioration of global conditions and the weakness of its institutions than tax-related issues. In fact, from a strictly fiscal perspective, it is a highly competitive country. The key question will be whether Paraguay will manage to exit the index in future years or if, as indicated by the global trend toward worsening fiscal conditions, its position will solidify. The increasing pressure from adverse international conditions could make its recovery difficult in the short term.

This analysis highlights the importance of strong fiscal policies and stable governance to avoid inclusion in such rankings, which emphasize critical flaws in the design and implementation of tax strategies.

Fiscal competence

Global conditions

Weak institutions

Asunción, Paraguay

Tax Hell Index 2023 *special edition*

Country	Quantitative	Qualitative	Score	Conclusion
Belarus	8.00	17.00	11.60	Tax Hell
Venezuela	6.00	18.00	10.80	Tax Hell
Ukraine	9.33	13.00	10.80	Tax Hell
Argentina	9.33	12.00	10.40	Tax Hell
Russian Federation	6.67	16.00	10.40	Tax Hell
Suriname	8.00	13.00	10.00	Tax Hell
Bolivia	6.00	16.00	10.00	Tax Hell
Moldova	8.67	11.00	9.60	Tax Hell
Brazil	8.00	12.00	9.60	Tax Hell
Mexico	6.00	15.00	9.60	Tax Hell
Nicaragua	4.67	17.00	9.60	Tax Hell
São Tomé and Príncipe	6.67	13.00	9.20	Tax Hell
Haiti	3.33	18.00	9.20	Tax Hell
El Salvador	6.00	13.00	8.80	Tax Hell
Paraguay	6.00	13.00	8.80	Tax Hell
North Macedonia	8.67	8.00	8.40	Risky
Bosnia and Herzegovina	5.33	13.00	8.40	Risky
Honduras	4.00	15.00	8.40	Risky
Montenegro	9.33	7.00	8.40	Risky
Greece	9.33	7.00	8.40	Risky
Colombia	6.67	10.00	8.00	Risky
Guyana	5.33	12.00	8.00	Risky
Ecuador	5.33	12.00	8.00	Risky
Italy	9.33	6.00	8.00	Risky
Hungary	9.33	6.00	8.00	Risky
Romania	8.67	6.00	7.60	Risky
India	6.00	10.00	7.60	Risky
Guatemala	2.67	15.00	7.60	Risky
Dominica	9.33	5.00	7.60	Risky
Belize	4.00	12.00	7.20	Risky
Poland	8.67	5.00	7.20	Risky
Serbia	6.67	8.00	7.20	Risky
Peru	4.67	11.00	7.20	Risky
Slovak Republic	8.67	4.00	6.80	Normal
Barbados	8.67	4.00	6.80	Normal
Armenia	5.33	9.00	6.80	Normal
Kosovo	3.33	12.00	6.80	Normal
Saint Kitts and Nevis	8.00	5.00	6.80	Normal
Jamaica	6.67	7.00	6.80	Normal
St. Lucia	6.67	6.00	6.40	Normal
Croatia	6.67	6.00	6.40	Normal
Dominican Republic	6.00	7.00	6.40	Normal
Panama	4.67	9.00	6.40	Normal
Spain	8.67	2.00	6.00	Normal
United States	8.67	2.00	6.00	Normal
Slovenia	8.67	2.00	6.00	Normal
Malta	8.00	3.00	6.00	Normal
Bulgaria	5.33	7.00	6.00	Normal
Trinidad and Tobago	4.00	9.00	6.00	Normal
Belgium	9.33	1.00	6.00	Normal
France	9.33	1.00	6.00	Normal
United Kingdom	9.33	1.00	6.00	Normal
Latvia	8.67	1.00	5.60	Normal
Czech Republic	8.67	1.00	5.60	Normal
Austria	8.67	1.00	5.60	Normal
Antigua and Barbuda	5.33	6.00	5.60	Normal
Granada	6.00	5.00	5.60	Normal
Costa Rica	6.00	5.00	5.60	Normal
Bahamas	6.00	5.00	5.60	Normal
Iceland	8.67	0.00	5.20	Normal
Portugal	8.00	1.00	5.20	Normal
Germany	8.00	1.00	5.20	Normal
Georgia	5.33	5.00	5.20	Normal
Cyprus	6.67	3.00	5.20	Normal
Saint Vincent and the Grenadines	6.00	4.00	5.20	Normal
New Zealand	8.00	0.00	4.80	Normal
Finland	7.33	0.00	4.40	Normal
Norway	7.33	0.00	4.40	Normal
Estonia	6.67	1.00	4.40	Normal
Lithuania	6.67	1.00	4.40	Normal
Canada	6.67	1.00	4.40	Normal
The Netherlands	6.67	1.00	4.40	Normal
Uruguay	6.00	2.00	4.40	Normal
San Marino	6.00	1.00	4.00	Normal
Sweden	6.00	0.00	3.60	Normal
Puerto Rico	2.67	5.00	3.60	Tax Heaven
Chile	4.00	2.00	3.20	Tax Heaven
Denmark	5.33	0.00	3.20	Tax Heaven
Luxemburg	4.67	0.00	2.80	Tax Heaven
Switzerland	4.67	0.00	2.80	Tax Heaven
Aruba	4.67	0.00	2.80	Tax Heaven
Ireland	4.00	0.00	2.40	Tax Heaven

Contact us

Need more information?

For more information or to schedule an interview with our founder, Martín Litwak, please contact the team at:

info@the1841foundation.com

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