

SHOULD WE CONTINUE BLACKLISTING TAX HAVENS?*

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19th October 2026

Abstract

Yes, but differently. This paper reaches this conclusion in three steps. First, it shows that harmful tax practices are less and less confined to easily identifiable jurisdictions known for aggressive tax policies. Second, focusing on the list of the European Union, it finds that current blacklists are generally too limited in scope to produce significant economic effects. Third, it argues that blacklists can be a useful complement to alternative anti-avoidance policies and proposes enhanced criteria for constructing blacklists of harmful tax regimes. In particular, we argue that introducing a quantitative criterion based on effective tax rates is essential to account flexibly for the recent evolution of harmful tax competition. Under these conditions, blacklists for tax purposes have their place in the arsenal of measures to combat tax evasion.

Keywords: Tax havens; blacklists; international taxation; tax avoidance; tax evasion

JEL codes: H26, H73, H87, F39, N40

*We would like to thank International Tax Observatory members for helpful comments and discussions. This paper has received funding from the European Union under grant TAXUD/2023/DE/318. The views and opinions expressed are those of the authors and do not necessarily reflect those of the European Union. The European Union cannot be held responsible for them.

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1 Introduction

The rising share of taxes in total production since the beginning of the 20th century has been a defining feature of modern economies. This evolution has been accompanied by the parallel rise of harmful tax competition at the international level, i.e., policies that undermine the fiscal capacity of other governments. These practices have taken various forms, but they share a central feature: they create opportunities for large firms and wealthy individuals to escape the regulations of their residence countries, particularly in terms of transparency requirements and taxation. A key policy challenge since the publication of the OECD's 1998 report on Harmful Tax Competition (OECD, 1998) has been to develop appropriate criteria to identify such policies and implement tools to curb their impact.

One of these tools is the blacklisting of countries deemed non-compliant with minimum standards. Blacklisting is a modern tool of geoeconomics.¹ Its objective is to induce a foreign country to change its policies in a specific domain, through stigmatisation (or *name and shame*, see Sharman, 2009), and sanctions triggered by inclusion in the blacklist (Eggenberger, 2018). Blacklisting is especially salient in the field of international taxation where the OECD began publishing a blacklist of tax havens in 2000, discontinued in 2017. Building on the OECD's work, the EU Code of Conduct has published a biannual list of non-cooperative jurisdictions for tax purposes since the end of 2017 (referred to as the "EU blacklist" below). Several countries also maintain blacklists that trigger economic sanctions against firms and individuals exposed to listed countries, and non-governmental organisations have also proposed their own lists (e.g., Oxfam, 2017, Tax Justice Network, 2019, 2020).

However, multilateral policies have recently been introduced to curb harmful tax practices. Notably, the Global Minimum Tax (GMT), implemented in several countries since 2024, established rules for countries to collect a top-up when multinational firms are effectively taxed below a threshold of 15%. Similarly, the Common Reporting Standard (CRS), signed by more than 125 countries, ensures the automatic exchange of banking information among a large number of tax administrations, including those of major tax havens.

Given this new regulatory environment, one could argue that tax blacklists are no longer necessary in the space of anti-avoidance policies. They might appear bureaucratic and subjective as compared to the modern rule-based international tax system. In contrast to this view, this paper argues that blacklists are useful instruments in the context of 21st-century international tax rules, as complements to other tools. This is because multilateral rule-based systems like the Global Minimum Tax (GMT) or the Common Reporting Standard (CRS) can be incomplete (e.g. they only target very large firms, larger than €750 millions of turnover), politically vulnerable (e.g. the U.S. follow different standards), and susceptible to strategic adaptation (Vella, 2025, Alstadsaeter et al., 2023).

¹Geoeconomics is here understood as a strategy whereby "governments use their countries' economic strength from existing financial and trade relationships to achieve geopolitical and economic goals" (Clayton et al., 2023).

Hence, blacklists allow states or regional organisations to promote additional standards and impose defensive measures against jurisdictions that facilitate harmful practices.

This paper uses as a benchmark the EU Code of Conduct list of tax havens of October 2026, mostly focused on corporate taxation, because it represents the most recent, comprehensive and active effort to build a blacklist for tax purposes. Despite this institutional focus, the conclusions apply more broadly to other initiatives.

We propose a methodology for assessing harmful corporate tax practices through blacklists. We first define harmful tax practices as those that either i) do not follow international standards, preventing foreign countries from effectively accessing information on their residents, ii) facilitate offshore structures, or iii) allow foreign firms to benefit from low effective tax rates, even in the presence of economic substance. Based on this definition, we observe that harmful tax practices are less and less the sole preserve of easily identifiable territories specialising in aggressive policies (the so-called tax havens). In the 21st century, the international tax landscape has been reshaped by the proliferation of preferential tax regimes in countries not traditionally considered as tax havens.

These observations lead us to the following conclusion. Blacklists should pursue two objectives. The first is to promote the adoption of internationally defined standards. The second is to discourage harmful tax competition. These two different objectives call for two different metrics. For the first objective, harmful tax practices should be identified as deviations from internationally defined standards to promote their adoption. This can be assessed using qualitative criteria that evaluate the effective adoption of such standards. We follow the current criteria of the EU Code of Conduct and provide some modifications and innovations. We make some criteria more stringent (quality of the implementation of the automatic exchange of information, inclusion of countries with low statutory tax rates, even in the presence of substance regimes) and we introduce new criteria. In particular, we check for the presence of beneficial ownership registries and the presence of high-risk citizenship- or residency-by-investment schemes.

For the second objective, we argue that harmful tax practices should also be identified based on whether they result in an effective tax rate that is considered too low. Instead of assessing policies individually, we argue that this objective requires a quantitative criterion. Such a criterion offers flexibility in two key respects. Its threshold can be determined through a deliberative process reflecting what is deemed, at a given point in time, to be an unacceptably low effective tax rate. It also avoids the need for a lengthy and subjective classification of harmful tax policies. Regardless of the specific policy in place, if it results in an effective tax rate below the agreed threshold, it can be classified as harmful. It addresses a central limitation of qualitative criteria.

This quantitative criterion makes use of the recent advances in tax transparency and is based on the effective tax rate computed using country-by-country reporting (CbCR) data. We test three different rates as thresholds for harmful tax policies (7.5%, 10% and 15%). Under the current Code of Conduct's blacklist, the share of global foreign profits located in blacklisted countries amounts to 1%. Adding our updated qualitative criteria increases this share to about 15%. An ETR threshold set to 7.5% moves it to 28% while a

threshold of 10% increases above 30%. This increase in coverage illustrates the complementarity of the qualitative and quantitative criteria.

The paper is organised as follows. We first discuss the past experience of blacklists and review evidence about their mechanisms and effectiveness. Then, we discuss the definition of harmful tax policies adopted in this paper and show their evolution over the past decades, highlighting the peculiarity of harmful tax practices in the 21st century. As the regime of harmful tax practices has changed in recent years, the way we identify them should also evolve. In Section 4, we propose different criteria to identify harmful tax practices and discuss which countries they target.

2 Background and literature

Institutional background The point of departure of this paper is the list of non-cooperative territories for tax purposes of the EU Code of Conduct. Currently, this is the broadest institutional list that targets harmful tax practices in terms of countries applying it. This list can be seen as a continuation of the OECD's efforts to provide lists of tax havens until 2017. Member states of the European Union must adopt the list of the Code of Conduct in their domestic legislation.² Several countries also maintain national lists for tax purposes in order to implement withholding taxes or CFC rules when domestic firms operate in these countries (for instance, El Salvador, Ecuador, or Chile). It is also worth noting that the blacklisting process, precisely because it can have effects through stigma at very limited costs, is regularly done by non-governmental bodies.³ For instance, Oxfam (2017) has used the criteria of the EU with its own assessment to propose an extended list of tax havens. The Tax Justice Network also proposes rankings of "Financial Secrecy" (Tax Justice Network, 2020) and "Corporate Tax Havens" (Tax Justice Network, 2019) following a methodology that aggregates 20 variables for each index, providing detailed data on the offshore legal architecture of many jurisdictions. In another policy area, the list of non-cooperative countries for money laundering purposes created by the Financial Action Task Force (FATF) has been published since 2000 and shares common criteria with the Code of Conduct list (Eggenberger, 2018).

The list of the Code of Conduct, first published in 2017, uses both sanctions and stigma to reach its goals. When a country is blacklisted, EU members must apply at least one of four different financial defensive measures against these countries. The type and scope of the financial defensive measures are chosen by member states among the following options: i) the non-deductibility of certain costs, ii) the inclusion of foreign income in the domestic tax base through CFC rules, iii) withholding taxes, and iv) limitation of participation exemption. On top of these defensive measures, some cross-border payments to countries on the list must be reported under the DAC6 rules and countries listed on the blacklist must appear separately on the public country-by-country reports

²They can also extend it to other jurisdictions, as is the case for France or Portugal, for instance. France adds countries to its list based on transparency and exchange-of-information requirements specific to France.

³To insist on the low cost of a blacklisting process, Sharman (2009) refers to the performativity of what Austin calls "speech acts" (Austin, 1962). In this case, the simple fact of declaring a country a tax haven (the "speech act") affects the reputation of the country without further action being taken.

that large EU companies must file from 2026. Administrative defensive measures, such as an increased audit rate, are also taken against firms exposed to blacklisted territories. Finally, some EU funding instruments such as the European fund for sustainable development (EFSD) or the European fund for strategic investments (EFSI) cannot be channelled through blacklisted countries. It must be pointed out that this arsenal of measures has the potential to generate substantial economic effects given its reach and the diversity of measures it includes.

The Code of Conduct list also serves as a diplomatic tool, as it facilitates discussions with countries that do not meet its criteria. It helps them understand how to comply and monitors their progress to ensure that reforms are properly implemented. The Code of Conduct removes countries from the list or places them on a “grey list” when they undertake adequate reforms or have pending commitments.⁴ As a diplomatic tool, the Code of Conduct adapts its work to policy objectives: decisions might be driven by policy objectives rather than pure objective decision criteria (see on this topic the in-depth analysis of the Code of Conduct by Nouwen, [2021](#)).

In addition to the country blacklists presented above, many countries have introduced targeted anti-avoidance measures, including interest-limitation rules, Controlled Foreign Company (CFC) rules, rules against hybrid mismatches, and rules against treaty abuse. These measures often follow standards defined by the OECD’s BEPS project (OECD, [2025a](#)) and were implemented across the EU through the 2016 Anti-Tax Avoidance Directive. Transparency and administrative cooperation also play an important role, notably through the Common Reporting Standard, which ensures the automatic exchange of banking information among more than 125 countries (excluding the U.S.), and country-by-country reporting, which provides country-level information for MNEs with turnover above EUR 750 million.

Since 2024, the Global Minimum Tax has added a broader instrument, seeking to ensure a country-level effective tax rate of at least 15% for MNEs. Although weakened by carve-outs, favourable treatment of tax credits, and competing standards, it represents a major change in policies against BEPS by combining global cooperation with a rule covering multiple avoidance practices rather than targeting specific schemes.

Is blacklisting useful? A literature review In this context, one can ask whether country blacklists for tax purposes are an effective tool against BEPS. A review of the existing literature can be useful to answer this question. The literature on blacklisting can be divided into two strands. The first focuses on the mechanisms and asks whether blacklisting has material economic consequences. The answers to this question vary across studies. Kudrle ([2009](#)) examines the effects of OECD and FATF blacklisting processes on banking investment and finds no robust and consistent impact. This null result is confirmed by Balakina et al. ([2017](#)), who analyse the effect of being listed by the FATF on cross-border capital flows, and Case-Ruchala and Nance ([2024](#)), who study the impact of FATF greylisting on financial flows. By contrast, Morse ([2020](#)) and Kida and Paetzold

⁴For example, in 2021, the Code of Conduct assessed Hong Kong’s Foreign Source Income Exemption regime as harmful. The regime was subsequently deemed “non-harmful” after Hong Kong amended it by introducing substance requirements.

(2021) find that FATF greylisting negatively affects capital flows. Grottko and Kittl (2016) and Rusina (2020) address a related but slightly different question, examining how firms exposed to a blacklisted country are affected. Both papers find a negative effect on firm outcomes. For instance, Rusina (2020) finds that the publication in 2017 of the first EU Code of Conduct blacklist erased \$56 billion in market capitalisation, suggesting a significant economic effect. For comparison, Gómez-Cram and Olbert (2023) estimate a reduction of at least \$112 billion in market capitalisation following the announcement of Pillar Two. This result points to the potential for future negative economic impacts of blacklists if targeted firms adjust their strategies in the medium run. Brounstein et al. (2025) study the role of sanctions associated with blacklisting more precisely. Ecuador established a surtax in 2015 on firms whose ultimate owners are located in a blacklisted country. The authors find an almost complete switch to non-haven ownership and an increase in profits and tax liability, highlighting the success of the policy. Finally, Roland et al. (2025) propose a new potential mechanism by asking whether blacklisting influences public opinion in the targeted countries. They find modest but positive effects, suggesting that blacklists may shape domestic public opinion and exert pressure for reform over the medium term. Taken together, these findings suggest that the economic impact of blacklisting is real but often limited to a modest effect.

The second strand of the literature investigates whether blacklisting achieves its primary objective, which is to encourage the adoption of improved regulatory and tax standards. Sharman (2009) emphasises the role of stigma and introduces the concept of pre-emptive compliance, whereby countries react to blacklisting even before incurring economic costs. This response is more likely to occur in countries that rely heavily on institutional investors, who may be particularly sensitive to reputational risk. In the 2000s, this dynamic was exemplified by the reactions of jurisdictions such as the Cayman Islands and Mauritius to the OECD and FATF lists. This mechanism also suggests that blacklisting can be efficient even in the absence of observable economic effects. In contrast, reactive compliance arises from actual economic losses and tends to occur in countries more dependent on individual investors. A notable example is Saint Kitts and Nevis, which took corrective action in 2000 after being blacklisted by both the FATF and the OECD. Eggenberger (2018) explores the interaction between stigma and the formal sanctions associated with blacklisting. She argues that FATF blacklisting carries significantly more sanctions and reputational consequences than OECD listings, which may help explain its relatively greater effectiveness.

Finally, Collin (2023) investigates the effects of blacklisting under the EU Code of Conduct. He compares blacklisted jurisdictions with similar jurisdictions that narrowly avoided listing and finds positive but limited effects on the adoption of international tax standards. He identifies a positive impact of blacklisting on the limitation of unfair tax practices and a strong positive effect on countries' decisions to join the Inclusive Framework, the multilateral negotiation forum created by the OECD. Importantly, he finds no significant effects on broader outcomes such as offshore wealth, FDI, or profit shifting, suggesting that the blacklisting process has limited impact beyond formal commitments. This limited effectiveness comes from the fact that the process does not target

major global players despite covering them (at least the non-EU ones) in the screening process.

In addition to the evidence from the literature, we provide two pieces of evidence regarding the potential effectiveness of the EU blacklisting process in Figure 1. Figure 1a presents the share of global foreign profits (i.e., profits of multinational firms made outside their residence country) reported in blacklisted countries according to country-by-country reporting data. As also remarked by Collin (2023), this share is very small, around 1%, and does not increase over time. In Figure 1b, we study the exposure of French firms to blacklisted countries using micro-level data on the ownership links of French firms. The French blacklist, enacted in 2010, broadly follows the principles of the OECD and the Code of Conduct. We find that only approximately 15% of firms are exposed to a blacklisted country through ownership links. Approximately 60% are exposed to countries included in a broader list of tax havens (Dharmapala and Hines, 2009), and 30% are exposed when we exclude European countries close to France (the Netherlands, Luxembourg, Ireland, and Switzerland). Studying a constant list of blacklisted countries in the light-blue (2011 list) and dark-blue lines (all countries ever included in the French blacklist), we observe no reduction in exposure to blacklisted countries. The reduction in exposure observed in the red line, representing actual exposure to the French blacklist, is due only to the removal of some countries from the list, not to a decrease in ownership links with blacklisted countries.

These findings imply that, even if the blacklisting process were effective in influencing the targeted jurisdictions, in particular through targeted sanctions as in the EU, its overall impact on global economic aggregates would remain limited. This is because blacklisted countries concerned represent only a marginal share of international economic activity. Extending the coverage of blacklists to jurisdictions that account for a larger share of international economic activity would therefore allow countries to make greater use of the existing mechanisms of blacklisting. We show at the end of the paper that the criteria we propose would substantially increase the share of global foreign profits covered by the list.

3 Harmful tax policies: From offshore tax havens to generalised tax competition

To understand whether tax blacklists can be useful to combat harmful tax practices, we must define precisely these practices. We define harmful tax practices as policies that

1. do not follow internationally established transparency standards, preventing other countries from effectively gathering information on their residents;
2. facilitate offshore structures and attract profits without real economic activity; and
3. allow foreign firms to benefit from low statutory or effective tax rates, *even in the presence of substance*.

These principles are broadly aligned with existing definitions of harmful tax practices. The OECD's definition, as laid out in the BEPS Action 5 report (OECD, 2015), iden-

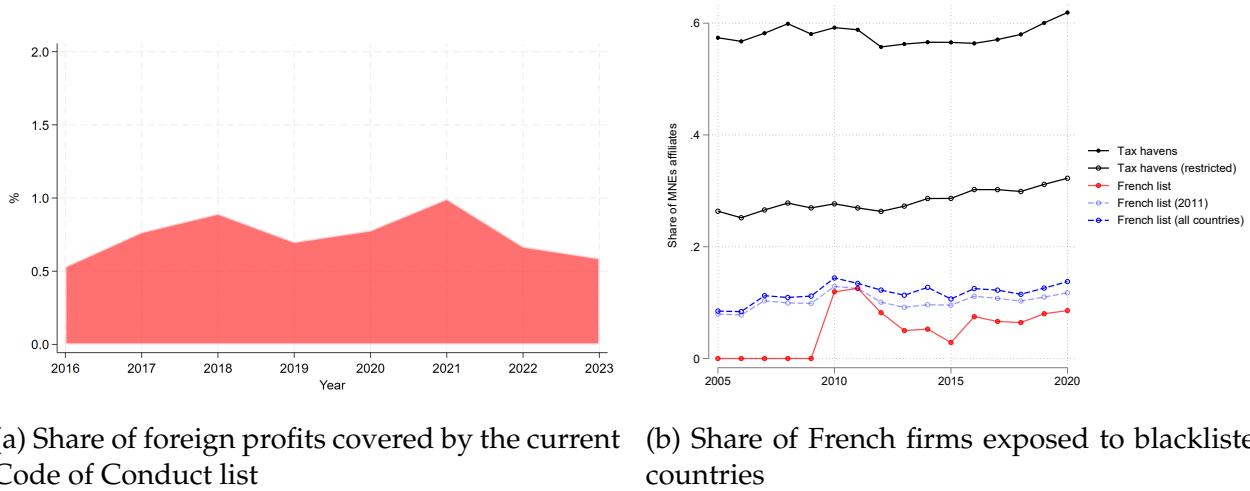


Figure 1: The global reach of the current Code of Conduct blacklist

Note: In Panel (a), the data source for foreign profits is CbCR. In Panel (b), data come from the French micro-level tax returns (BIC-IS) and ownership (LIFI) datasets. Blacklisting begins in France in 2010. Blacklisted countries are retrieved through the archives of the “Arrêté du 12 février 2010 pris en application du deuxième alinéa du 1 de l’article 238-0 A du code général des impôts” available at https://www.legifrance.gouv.fr/lod_a/id/JORFTEXT000021838443. “Tax havens” corresponds to the countries listed by Dharmapala and Hines (2009); the restricted set of tax havens excludes tax havens close to France (the Netherlands, Switzerland, Ireland and Luxembourg); “French list” corresponds to the list in force during the period; “French list (2011)” keeps a constant list of countries over time using the 2011 definition; and “French list (all countries)” keeps a constant list comprising all countries ever blacklisted by France.

tifies five key criteria for assessing whether a regime is harmful: (i) the regime provides no or low taxation for mobile financial and service income, (ii) it is ring-fenced from the domestic economy, (iii) it lacks transparency, (iv) there is no effective exchange of information, and (v) there is no substantial activity. The EU Code of Conduct’s definition of harmful tax practices largely follows these same principles (Council of the European Union, 2022).

The first two principles used in this paper are in line with the OECD’s and the Code of Conduct’s approaches. The minimum standards established in recent years under the BEPS project are central to the Code of Conduct’s assessments, which often rely on OECD peer review reports. Likewise, offshore structures, typically designed to attract income without real economic substance and often ring-fenced from the domestic economy, are also considered harmful by both the OECD and the EU.

The third principle is where this paper departs more significantly from the current institutional consensus. While encompassing the definitions of the OECD and the Code of Conduct, where harmful regimes are identified as those where there is a divergence between the statutory and effective tax rate, it goes further. For instance, the Forum on Harmful Tax Practices (FHTP), the OECD body that classifies tax regimes, does not consider regimes harmful if a low effective tax rate is paired with sufficient substance requirements. To implement this approach, the OECD released guidelines on substance requirements for IP regimes (OECD, 2015) and on the establishment of substance-based regimes in zero- or low-tax jurisdictions (OECD, 2017). This position might appear to contrast with the OECD’s own emphasis on the displacement of activity as a marker

of harmful effects (OECD, 2015, p. 21).⁵ This paper follows the spirit of these latter provisions but broadens the scope: it considers any regime that offers very low tax rates to be harmful, regardless of substance.

Such policies generate negative externalities. These are direct, by attracting tax bases away from other countries, and indirect, by pressuring countries to lower their own tax rates below socially optimal levels. This view is supported by the tax competition literature, whose seminal models show that tax competition leads to a suboptimal equilibrium from a social welfare perspective (Keen and Konrad, 2013). The third principle is also aligned with the European Commission's stated goal in its directive establishing a global minimum corporate tax rate, namely to "put a floor on competition over corporate income tax rates" (Official Journal of the European Union, 2025, p. 13). Substance requirements can help distinguish artificial profit shifting from genuine economic activity, but they do not address these externalities. Consequently, the presence of economic substance is not sufficient to establish that a tax regime is not harmful.

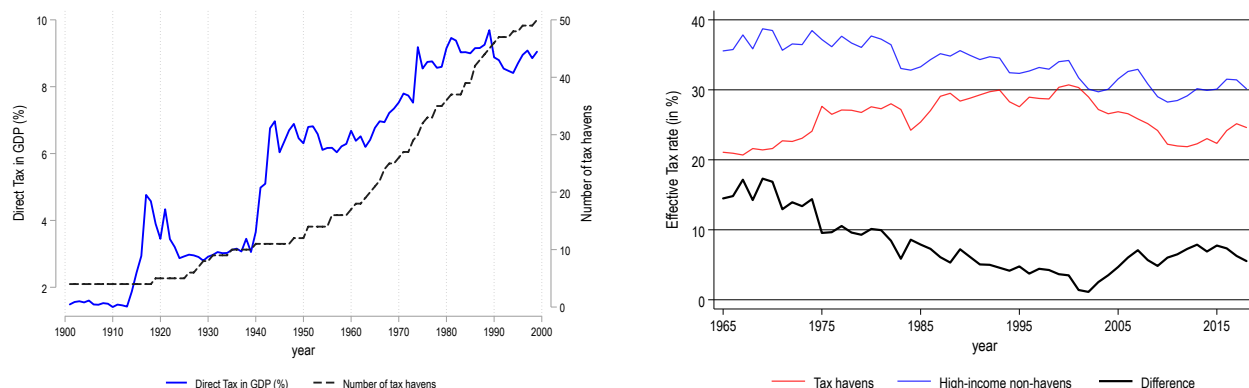
In the rest of the section, we provide elements about the nature and evolution of harmful tax practices at the turn of the 21st century. We argue that the nature of the legal architecture that sustains harmful tax practices has evolved. As a consequence, the necessary tools to combat these practices and the identification of countries having harmful tax practices must be adapted.

Harmful tax practices since 1900 A defining fact about the public sphere in the 20th century is the large increase in tax revenues for most countries in the world. The main tool for this increase in fiscal capacity has been the implementation of direct taxation (Besley and Persson, 2011, Seelkopf et al., 2021). The blue line in Figure 2a shows this increase for 31 countries in the world during the 20th century. Direct taxation went from less than 2% of GDP at the beginning of the 20th century to 9% of GDP at the end of the century. The figure shows that this increase has been driven by the two world wars and continuously sustained since then (Scheve and Stasavage, 2010, Londoño-Vélez, 2014). The figure correlates this rise in direct taxation with the rise of tax havens, jurisdictions that offer services to economic agents in non-haven countries to avoid and evade domestic taxation. We use data about the historical development of tax havens following Laffitte (2024). The figure shows that at the same time that taxes were raised in many countries, many tax havens appeared. These countries represent the bulk of harmful tax practices in the 20th century.

This regime of harmful tax practices in the 20th century is characterised by a dichotomy between high-tax countries and tax havens. Tax havens are, in general, small countries and islands that host the revenues and assets generated in high-tax countries, shielding them from taxation through their offshore legal architecture (Laffitte, 2024). This dichotomy began to disappear at the turn of the 21st century.

⁵Similarly, the Code of Conduct notes that even measures of general application can be deemed harmful if they "affect in a significant way the location of business activity within the Union" (see the main page of the Code of Conduct website: <https://www.consilium.europa.eu/en/council-eu/preparatory-bodies/code-conduct-group/>).

Figure 2b illustrates this fact by showing the effective tax rate on capital in tax havens and high-income countries. In 1965, the effective tax rate on capital was much higher in high-income countries, with a difference of around 15 percentage points. We then observe a steady decline in the effective taxation of capital in non-haven countries, driven by globalisation (Egger et al., 2019) and the pressure on tax rates exerted by tax havens (Laffitte, 2024). In tax havens, the effective tax rate increased slightly over the period. Overall, the difference decreased by two-thirds to 5 percentage points by the end of the period in 2018.



(a) The correlative rise of direct taxation and tax havens in the 20th century

(b) The taxation of capital in high-tax countries and tax havens

Figure 2: Trends in taxation in the 20th and 21st centuries

Note: In Panel (a), the share of direct taxes in GDP is from Andersson and Brambor (2019), and data on the number of tax havens over time are from Laffitte (2024). In Panel (b), all data come from Bachas et al. (2022).

The regime of harmful tax practices in the 21st century This last result suggests that the regime of harmful tax practices has changed in the 21st century. This change is illustrated, for instance, by data produced by the EU Code of Conduct. One of its main outputs is a systematic review of EU member states' preferential tax regimes since 1998. We gather data on regime-by-regime assessments from the Code of Conduct publications (Council of the European Union, 2024). Although these data partly reflect policy objectives and a subjective classification process (Nouwen, 2021), they are informative because this is the only institutional source that assesses member states' tax policies over a relatively long period. Figure 3 shows the average and total number of tax measures classified as harmful by the Code of Conduct since 1998. We distinguish measures adopted by countries traditionally classified as tax havens (following Dharmapala and Hines, 2009) from those adopted by countries generally not classified as tax havens. On average over the past 26 years, three tax regimes per non-haven country have been classified as harmful by the Code of Conduct. Although this number is lower than that for countries traditionally classified as tax havens (7.8 on average), two remarks are in order. First, non-haven countries use preferential tax measures that are considered harmful, even if they do so less frequently than tax havens. This finding highlights that non-haven countries engage in harmful tax competition. Second, because these countries constitute the

majority of EU member states, non-haven countries account for most harmful tax measures in the EU (59 versus 39 over the period), as shown in the right panel. This confirms that harmful tax regimes are not the exclusive prerogative of countries traditionally considered tax havens but are widespread across heterogeneous types of countries.

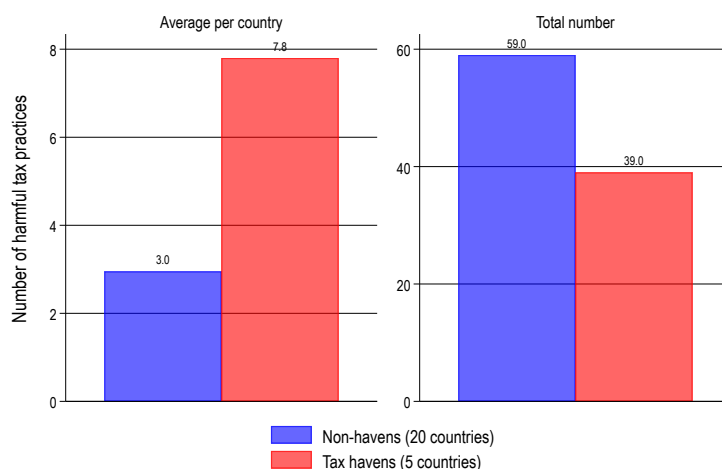


Figure 3: Harmful Tax Practices among EU member states according to the Code of Conduct (1998–2024)

Note: Data from the EU Code of Conduct (Council of the European Union, [2024](#)).

Another way to explore harmful tax practices is to examine policies that create a divergence between statutory and measured effective tax rates. Ducept and Godar (2025) show that statutory and effective tax rates have generally declined since the 2010s, but that effective tax rates have declined faster. This result suggests that preferential tax measures have expanded in recent years, widening the gap between effective and statutory rates. They also show that this gap is driven by the extension of base-narrowing measures, which tend to create a mismatch between the economic definition of profits (used in the denominator to compute the effective tax rate) and the fiscal definition of profits. Another tool is the use of tax credits, which ultimately allow firms to benefit from rates below the standard rate.

We explore this issue using OECD data on tax revenues. This dataset has the advantage of decomposing tax revenues into gross tax revenues and tax revenues net of expenditures and transfers, which reflect different tax measures such as tax credits. These data are available for only a few countries, but they show substantial variation. Figure 4 shows the ratio of corporate tax revenues net of expenditures and transfers to gross corporate revenues for OECD countries with available data. We observe a diverse set of policies. From the beginning of the 21st century, several countries reduced their tax revenues by more than 10% through tax credits. This was the case in Australia, Italy, Great Britain, and Iceland. In France, since the early 2010s, a large amount of collected tax revenue has been returned to firms through tax credits. This amount exceeded 40% in 2018 and 2019. This means that some firms can benefit from very low tax rates that diverge substantially from the statutory tax rate. This result is consistent with the micro-level analysis by Bach et al. (2019) of the effective tax rates of French firms by size.

The authors find that the effective tax rate of French firms benefiting from the two main tax-credit schemes in France can be as low as 12.2%. This rate decreases to 7.7% when we focus on large firms that benefited from these credits in 2015.

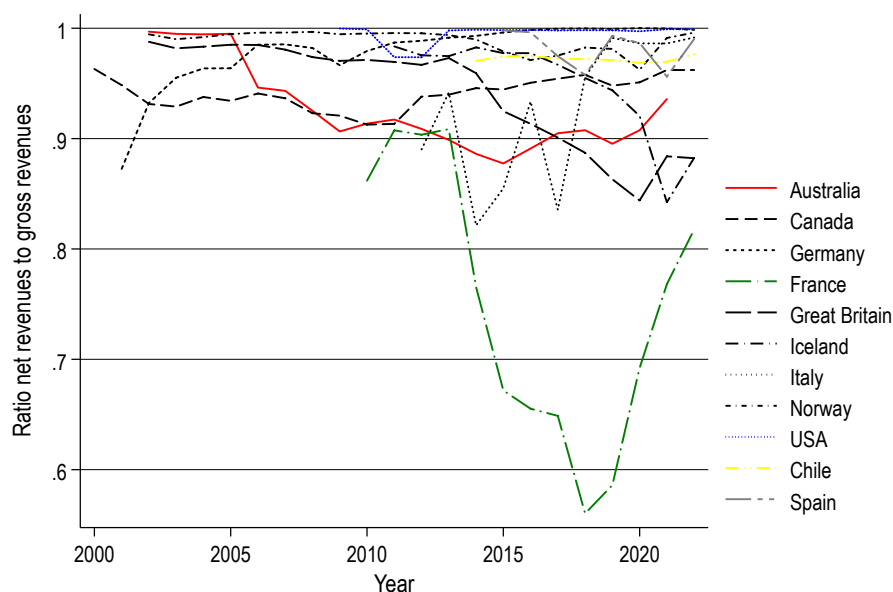


Figure 4: The use of tax expenditures and credits in selected OECD countries

Note: Data from the OECD Global Revenue Dataset.

Finally, we review IP boxes, one of the main tax tools that generate low effective tax rates on certain types of intellectual property income (Alstadsæter et al., 2018). For a long time, many countries introduced IP boxes that did not require sufficient substance. These loopholes have been closed in many countries following BEPS Action 5 on harmful tax practices and the Code of Conduct’s classification of IP box regimes without sufficient substance as harmful. However, even when substance requirements are met, the rates applied in IP boxes are often very low, which is inconsistent with our third principle for defining harmful tax policies. Figure 5 shows, for OECD countries, the statutory corporate income tax rate and the (minimum) preferential tax rate granted in countries that had implemented IP box regimes as of 2019. We see that IP boxes offer substantial rate cuts. For instance, France had a 34.4% tax rate at the time (accounting for exceptional taxes) and offered a reduction of 24.4 percentage points, resulting in a 10% rate for IP income. The use of IP boxes throughout the distribution of statutory tax rates highlights that traditionally high-tax countries also implement harmful tax practices. In countries such as Israel, Lithuania, Korea, and Poland, the preferential tax rate can be as low as 5%.

This section documented the fact that there has been a relative convergence of tax practices between countries traditionally considered tax-aggressive and traditionally high-tax countries. This leads to the conclusion that the nature of harmful tax practices has changed in the 21st century. This fact must be taken into account when designing the tools to fight these practices.

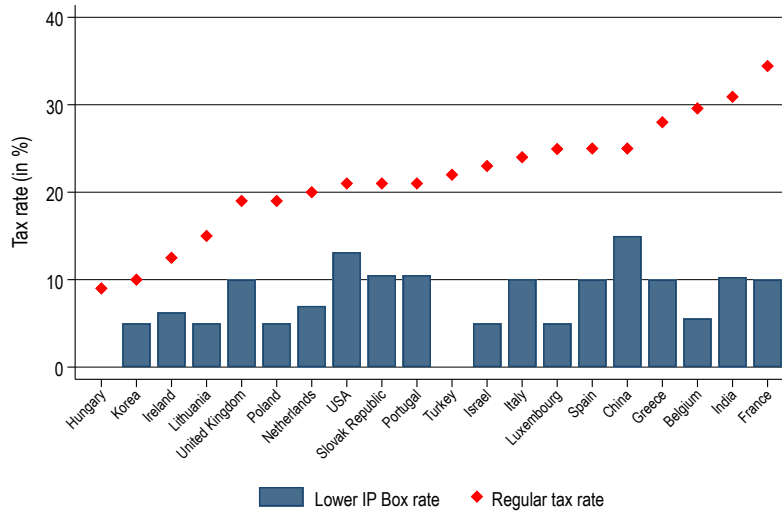


Figure 5: Statutory and preferential IP Box rates in OECD countries.

Note: Data on IP boxes as of 2019 are from von Haldenwang et al. (2021).

4 Why blacklisting can still be effective

In this section, we apply the principles outlined earlier to identify more systematically countries that implement harmful tax policies. We argue that a list of countries with harmful tax practices should serve two main objectives. The first is to identify countries that do not comply with global standards and to encourage their adoption through diplomatic engagement and sanctions. This objective supports the promotion of multilateralism and the strengthening of international standards in tax governance. The second objective is to identify jurisdictions that actively facilitate tax avoidance and harmful tax competition, and to pressure them to revise their policies through the use of effective sanctions. In this sense, country blacklisting is a geoeconomic policy.

It is complementary to other policies, such as the GMT, for at least two reasons. First, blacklists can serve as a safety net when these policies are called into question. Indeed, multilateral rules can appear incomplete, politically vulnerable, and susceptible to strategic adaptation. The GMT is incomplete because it targets large multinational enterprises' tax liabilities, leaving unresolved the avoidance practices of smaller multinationals and broader transparency concerns. Its political vulnerability was illustrated in January 2025, when the U.S. decided to remain outside the standard, promoted an alternative minimum-tax design, and threatened retaliation against any country that applied the GMT to U.S. firms.⁶ Finally, specific GMT rules, such as carve-outs for real activity and the treatment of tax credits, offer countries room for strategic adaptation (Alstadsaeter et al., 2023; Vella, 2025). Similarly, recent research has shown that the CRS remains incomplete in its coverage (Boas et al., 2024, Bomare and Collin, 2025), despite representing an improvement in tax transparency (Boas et al., 2026). It is also vulnerable to the non-participation of the U.S. (Casi et al., 2020) and susceptible to the strategic re-

⁶Moreover, since the U.S. adopted its own standard, other countries, such as Brazil and Colombia, have questioned their participation in the GMT (Jha, 2026; Jha and Saeed, 2026).

structuring of wealth portfolios to avoid reporting requirements (Bomare and Le Guern Herry, 2025).

Second, it can allow countries to implement independent policy principles above and beyond minimum standards in the context of the weakening of the rule-based multilateral standards. There are several measures that a country or group of countries might want to promote beyond the minimum standards of the CRS or the GMT, such as enhanced transparency on beneficial ownership or deeper administrative cooperation. This approach addresses a broader range of policies than the multilateral standards do. In the context of the EU list, the effectiveness of the blacklist is enhanced by the size of the EU market and the associated sanctions, potentially creating a “Brussels effect” in tax standards.

As discussed in the previous section, harmful tax practices can be implemented in various ways and by a wide range of countries. This diversity makes case-by-case assessments particularly complex and time-consuming. The two distinct objectives described above therefore require different sets of tools to account for this diversity. We propose the following:

1. A qualitative framework to assess compliance with minimum standards, in line with the current approach of the EU Code of Conduct.
2. A quantitative criterion, based on effective tax rates, to identify jurisdictions that promote large-scale tax avoidance and harmful tax competition.

As a starting point, we draw on the categories of criteria established by the OECD and the Code of Conduct. However, we apply more stringent standards within these categories and propose additional criteria. We focus on the same three areas as the Code of Conduct: tax transparency, fair taxation, and the implementation of anti-BEPS measures. Next, we turn to the quantitative criterion, which is designed to capture the most harmful tax policies. Although our analysis takes the EU blacklist as its starting point, our objective is to develop a general framework for identifying harmful tax practices. We therefore also include EU member states in our assessment, contrary to the Code of Conduct.

To ensure that our analysis targets deliberate harmful practices rather than the unintended consequences of limited administrative capacity, we exclude from consideration countries with GDP per capita below the global median. While supporting the development of administrative capacity in lower-income countries is an important goal, it requires a separate set of instruments and strategies.

4.1 Qualitative criteria

Tax Transparency This family of criteria is designed to ensure that countries have legislation in place that promotes tax transparency. Specifically, it aims to guarantee that foreign jurisdictions can access information about the offshore holdings of their own residents. Compliance is primarily assessed with respect to OECD standards, which require countries to adopt specific practices and achieve at least a “Largely Compliant” rating in the peer reviews of exchange of information on request (EOIR).

The relevant transparency standards include the automatic exchange of information (AEOI, criterion 1.1 of the EU Code of Conduct), the exchange of information on request (EOIR, criterion 1.2), and participation in mutual administrative assistance in tax matters (criterion 1.3). Since 2016, the Code of Conduct has also aimed to include compliance with beneficial ownership transparency (criterion 1.4), but no official list based on this criterion has yet been published, nor have detailed assessment criteria been formally adopted.

This family of criteria can be improved in several ways. First, the benchmark for assessing compliance with AEOI standards can be tightened. We require jurisdictions to be rated "On Track" in the Global Forum's evaluation of the effectiveness of the Common Reporting Standard (CRS) in practice. This criterion goes beyond the assessment of legal frameworks by identifying jurisdictions that may have adopted the appropriate legislation but still present significant weaknesses in its implementation (Alstadsæter et al., 2023). Second, we formally incorporate the beneficial ownership criterion (labelled as "Future" criterion in the tables and figures). We assess compliance using data from Open Ownership, which tracks the existence and implementation of public beneficial ownership registries around the world with a focus on the technical characteristics of effective disclosure regimes. In our analysis, we list countries that have made no commitment to implement such registries.⁷ Third, the criteria can account for the risks posed by citizenship- and residency-by-investment (CBI/RBI) schemes. Such programmes can undermine the CRS by allowing individuals to obtain residency or citizenship in low-transparency jurisdictions, effectively bypassing the automatic exchange of information. According to the OECD, several countries operate CBI/RBI programmes that pose a high risk of facilitating tax evasion (FATF/OECD, 2023, Langenmayr and Zyska, 2023). We rely on the OECD's classification of "high-risk" programmes to identify these jurisdictions.⁸

The list of criteria and the jurisdictions that fail to comply with each of them is shown in Appendix Table I. The table shows that expanding the requirements under criterion 1 and introducing criteria 2 and 5 allow us to identify several countries that do not currently appear on the EU Code of Conduct lists. While many of the jurisdictions flagged are small Pacific and Caribbean island states, a number of larger economies and EU member states also fall short, including Argentina, Chile, Israel, Mexico, Romania, and Estonia. Most of these are captured under criterion 1, related to shortcomings in the implementation of the automatic exchange of information.

Fair Taxation This family of criteria focuses on the legal architecture of countries and checks whether it incorporates harmful elements. Under the Code of Conduct framework, a jurisdiction should neither maintain preferential tax measures deemed harmful (criterion 2.1) nor facilitate offshore structures aimed at attracting profits without substantive economic activity (criterion 2.2).

⁷This set includes both non-compliant countries and countries with no available data, as a clear distinction between these two categories is not currently made.

⁸The OECD's assessment of high-risk CBI/RBI schemes is available at: <https://www.oecd.org/en/topics/sub-issues/international-standards-on-tax-transparency/residence-citizenship-by-investment.html>.

The screening of jurisdictions follows the assessment of the OECD’s Forum on Harmful Tax Practices (OECD, 2025b). The second criterion is designed so that zero-tax jurisdictions that have implemented a substance regime are excluded from the list. This point raises at least two issues. First, we know very little about the actual implementation of these regimes. Although the OECD conducts peer reviews of the implementation of substance requirements, to date, no formal public evaluation of these substance regimes is available.⁹ Second, even when some substance requirements are met, a tax regime can still be considered harmful under our definition if it allows firms to benefit from low or no taxation. Listing these countries among jurisdictions with harmful tax practices is also in line with the European Parliament resolution of 21 January 2021 on Reforming the EU List of Tax Havens (Parliament, 2021). We also add to the list any country with a 0% CIT rate.

The jurisdictions failing these criteria are shown in Appendix Table II. Most are not identified by the Code of Conduct as non-cooperative despite their very low tax rates. They are mainly countries traditionally considered tax havens (for instance, those in Dharmapala and Hines, 2009).

Implementation of BEPS measures criteria This family of criteria checks whether countries implement the BEPS minimum standards. In the Code of Conduct version, it evaluates countries’ commitment to (criterion 3.1) and implementation of (criterion 3.2) the BEPS minimum standards on harmful tax practices, treaty shopping, country-by-country reporting, and dispute resolution. We follow the Code of Conduct criteria and ranking regarding commitment to the anti-BEPS minimum standards. As shown in Appendix Table III, very few jurisdictions fail to implement these minimum standards.

However, the implementation of the BEPS minimum standards appears to be a necessary but insufficient step in assessing how harmful a tax regime may be, especially given recent developments in global discussions over the Two-Pillar Solution. At a time when Pillar Two is under pressure and EU tax diplomacy is focused on this instrument, it would be appropriate to design criteria that are robust to strategies aimed at bypassing Pillar Two rules.

For instance, one risk arises from the strategic implementation of tax credits that qualify as Pillar Two Qualified Refundable Tax Credits (QRTCs). Qualified tax credits are included in the denominator of the effective tax rate used to compute minimum taxation rather than being deducted from the numerator. QRTCs thereby increase profits rather than reduce taxes paid, resulting in a higher ETR than would otherwise be computed.¹⁰ In this context, some countries might be tempted to introduce tax credits strategically, allowing firms to face effective tax rates below 15% while maintaining their attractiveness as profit-booking locations. This concern has also been raised theoretic-

⁹Beebeejaun and Bickharry (2024) propose a qualitative analysis of the Mauritius substance regime and compare it with the regime in place in the Cayman Islands. They conclude that Mauritius should establish a regulatory authority, implement adequate reporting, and impose effective penalties for non-compliance.

¹⁰For example, assume that a company in jurisdiction A earns 100 in profits, pays 20 in taxes, and benefits from a QRTC of 10. It therefore pays 10 in taxes, and its ETR is 10% according to the standard definition. However, its Pillar Two ETR is computed as $20 / (100 + 10) = 18.2\%$. In this case, the company will not have to pay the GMT in jurisdiction A even though its economic ETR is 10%.

ally by Janeba and Schjelderup (2023) and in policy analyses by Alstadsaeter et al. (2023) and Devereux and Vella (2023).

Several examples reinforce this point. In 2023, the Premier and Finance Minister of Bermuda declared, “Bermuda is developing a robust package of Qualified Refundable Tax Credits (QRTCs) aimed to support Bermuda’s economic goals and maintain our global attractiveness as a jurisdiction.”¹¹ This declaration was followed by the Tax Credit Act of 2025. Similarly, Barbados has discussed the introduction of a new tax credit covering up to 100% of eligible payroll expenses, and Singapore has created a new tax credit that includes costs related to intangible assets as qualifying expenses.¹²

In our view, it is too early to assess such a criterion, but there is little doubt that monitoring these developments will become increasingly important over the coming years. An in-depth review of tax credit regimes is a promising avenue for developing such a criterion.

4.2 A comprehensive quantitative measure

Qualitative criteria that track the development of a harmful fiscal architecture could be complemented by a comprehensive quantitative measure. Building on recent OECD work adopted unanimously within the European Union, we propose a quantitative criterion that helps prevent countries from bypassing or innovating beyond the qualitative criteria. As with the 15% minimum tax rate, this criterion recognises that, regardless of the policies followed, some effective tax rates are too low to prevent tax abuse or harmful tax competition.

Although such a criterion would have been difficult to implement in practice a few years ago, recent years have seen the introduction of tools that improve the production and sharing of information relevant to tax authorities. A key tool in this respect is country-by-country reporting (CbCR).¹³ Since 2016, these reports have been mandatory for groups of firms with revenue above EUR 750 million. This information is shared among tax authorities, and aggregated information is available on the OECD website. Importantly, the aggregation distinguishes between loss-making and profit-making companies, allowing a more precise estimate of the effective tax rate. The EU also introduced a public CbCR directive in 2021, with the first reports published in 2026. Firms are required to report variables such as profits, employment, capital, and taxes paid on a country-by-country basis, allowing the effective tax rates applied to large MNEs to be computed more precisely.

This idea is also aligned with the EU implementation of public country-by-country reporting, which requires jurisdiction-specific information on activities in EU member states and jurisdictions on the EU list of non-cooperative jurisdictions. A more useful implementation would require complete jurisdiction-by-jurisdiction reporting, en-

¹¹See the declaration [here](#).

¹²See [here](#) about Barbados, and [here](#) about Singapore. See also Koch et al. (2026) for more examples and discussion of this issue.

¹³It is worth noting that this criterion is in line with several domestic tax blacklists that include quantitative effective-tax-rate thresholds. Examples include El Salvador, Ecuador, Brazil, and Portugal (Deloitte, 2022, BDO, 2025, LawsofBrazil, 2024, Lawyers, 2024).

abling these reports to help determine which jurisdictions do not meet the quantitative standard proposed in this paper (Aliprandi, 2024). A drawback of our approach is the lack of harmonisation in country-by-country reports, as highlighted by several studies (Aliprandi and von Zedlitz, 2023, OECD, 2024). Rather than justifying limited use of the data, this drawback calls for better alignment of CbCR requirements with reporting standards that permit accurate computation of effective tax rates. Another drawback is that the CbCR effective tax rate averages across all firms in an economy, including both those that benefit from preferential tax measures and those that do not. It can therefore conceal the presence of firms benefiting from very low effective tax rates in countries where average taxation is relatively high.¹⁴

Future applications of the criterion could use more granular data from public CbCR reports or aggregate effective tax rates at the sectoral level.

This quantitative criterion acts as a backstop to the minimum-tax mechanism. Although this mechanism is important for limiting harmful tax practices (OECD, 2020, Ferrari et al., 2022), it has several drawbacks, discussed above, that justify implementing alternative tools to limit harmful tax competition (Baraké et al., 2021, Alstadsaeter et al., 2023).

We compute the ETR by dividing income tax accrued and profits before tax over the period 2021-2023. We limit the sample to profit-making affiliates and positive tax liabilities. Averaging over several years smooths the ratio and limits the influence of short-term fluctuations in profits and taxes.

The appropriate value of the ETR threshold is open to discussion. Here, we propose three different thresholds to underline the flexibility of the criterion: 7.5%, 10% and 15%. In Figure 6, we show all countries with harmful tax practices under the criteria proposed in this paper. The figure distinguishes countries captured by the current Code of Conduct criteria (red), our reinforced qualitative criteria (light red), and the quantitative criterion (blue), which identifies countries with CbCR effective tax rates below the three thresholds over 2021–2023. Thirty-one countries are below the 7.5% threshold, including Singapore, Hong Kong, Luxembourg, or Switzerland. Eleven additional countries enter at the 10% threshold and eighteen more at the 15% threshold. Only two of these countries, Anguilla and Guam, are on the current EU blacklist of non-cooperative territories. By contrast, seventeen territories flagged by the qualitative criteria, including three currently blacklisted jurisdictions (Russia, American Samoa, and U.S. Virgin Islands) have ETRs above the 15% threshold. This finding illustrates the complementarity between the qualitative and quantitative criteria.

This figure shows that the quantitative criterion includes many countries that were not classified as harmful under the qualitative assessment. Some of these countries, including Hong Kong and Luxembourg, have CbCR effective tax rates as low as 7%.

¹⁴This limitation could be addressed using more granular CbCR data. Tax administrations already have access to CbC reports for firms operating in their territory. The implementation of the EU directive on public CbCR also provides new opportunities for such an analysis. However, the directive currently requires separate reporting only for EU member states and certain jurisdictions on the EU black and grey lists, with other jurisdictions generally reported on an aggregated basis. Extending geographical disaggregation would therefore further improve the implementation of the proposed criterion.

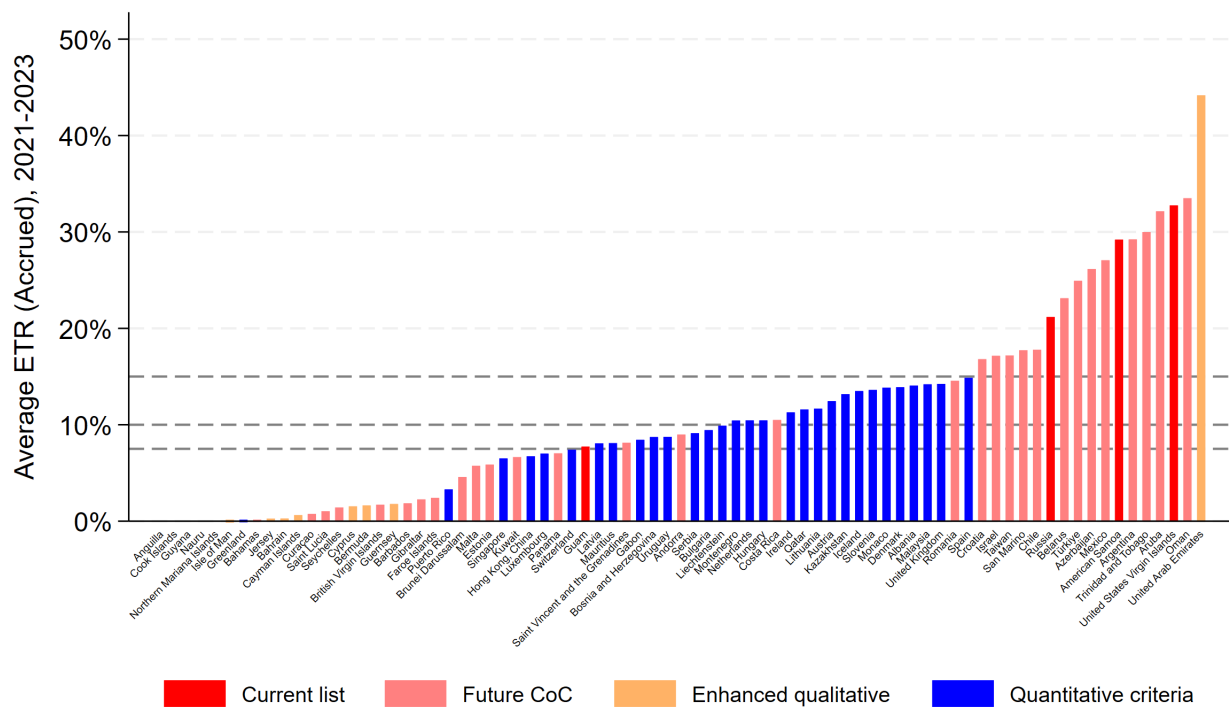


Figure 6: Non-compliant countries according to the qualitative and quantitative criteria

Note: Data from CbCR restricted to profit-making firms. Countries with GDP per capita below the median are dropped. The countries highlighted in red, light red, and orange represent those not meeting the present, future, and enhanced qualitative criteria, respectively. We do not have qualitative data available from Puerto Rico and Hong Kong, so we can only evaluate their quantitative criterion.

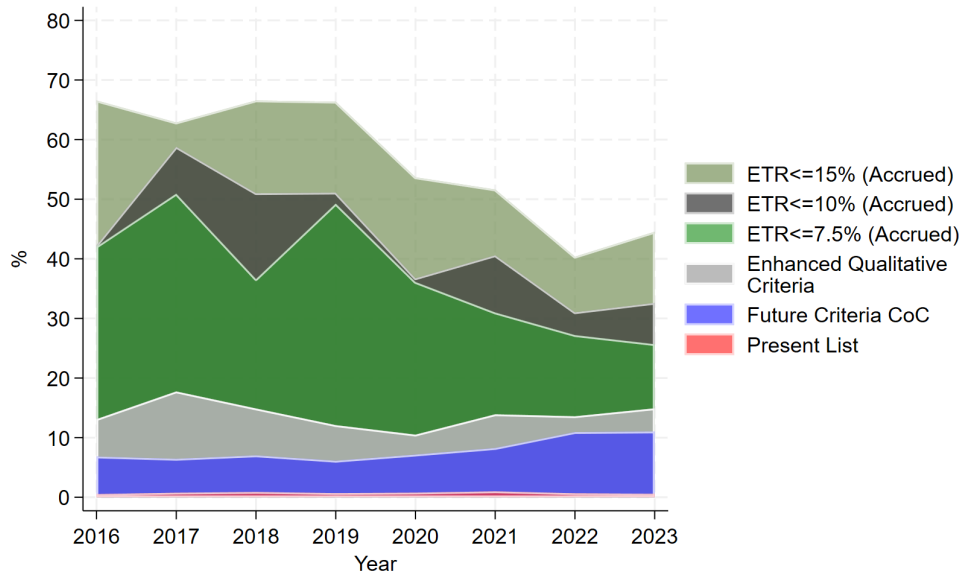


Figure 7: Share of foreign profits concentrated in harmful tax countries

Note: Data from CbCR restricted to profit-making firms. ETR is computed year by year using accrued taxes.

Comparison In Figure 7, we use CbCR data to plot the share of foreign profits covered by the different criteria proposed in this paper for identifying harmful tax policies. The thin red line shows the share of global foreign profits covered by countries currently on the Code of Conduct blacklist. As already shown in Figure 1, these countries represent only a small share of foreign profits. The blue area adds the share of foreign profits represented by countries covered by the future criteria, and the grey area adds the share covered by our extended qualitative criteria. Together, these criteria extend the list's coverage to about 15%–20% of foreign profits.

We then model the impact of adding a quantitative criterion set at an ETR of 7.5% (the lowest threshold), 10%, or 15% (the highest threshold). In all cases, adding the quantitative criterion means that a substantial share of foreign profits is located in countries with harmful tax policies. Overall, the share of foreign profits included because of the quantitative criterion appears to decrease over time, suggesting an increase in effective taxation in recent years. However, despite decreasing, the share of global foreign profits in these jurisdictions is still substantial and justifies appropriate policy measures.

5 Conclusion

In the context of the worldwide implementation of new anti-avoidance policies, this paper asks whether blacklists remain a useful tool. We argue that they do, provided that their design is adapted to the changing nature of harmful tax practices. Blacklists serve two complementary objectives. The first is to encourage countries to comply with international standards. The second is to discourage harmful tax competition, including when it is linked to substantial economic activity. These two different objectives call for two different metrics: qualitative criteria to assess compliance with international standards and a quantitative criterion based on effective tax rates.

The current implementation of blacklists, especially in the European Union, remains limited in scope. Although the existing literature shows that blacklisting can generate economic effects, the jurisdictions currently targeted by the EU blacklist account for only around 1% of global foreign profits. We show that extending the qualitative criteria and introducing a quantitative ETR threshold would substantially increase this coverage.

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Online Appendix

A Additional Tables and Figures

Table I: Tax transparency criteria

<i>Criteria</i>	<i>Non-compliant countries</i>
1. “On track” rating by the Global Forum with respect to the AEOI-CRS (<i>Current and enhanced criterion</i>)	Anguilla , Antigua and Barbuda, Argentina, Aruba, Bahamas, <i>British Virgin Islands</i> , Brunei Darussalam, Chile, Cook Islands, Costa Rica, Croatia, Curaçao, Dominica, Estonia, Faroe Islands, Gibraltar, Grenada, Israel, Kuwait, Malta, Mexico, Oman, <i>Panama</i> , Romania, Saint Vincent and the Grenadines, Seychelles, Sint Maarten, Trinidad and Tobago, <i>Turkey</i> , Turks and Caicos Islands
2. High-Risk CBI-RBI (<i>Enhanced criterion</i>)	Antigua and Barbuda, Bahamas, Bahrain, Barbados, Cyprus, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Seychelles, Turks and Caicos Islands , United Arab Emirates.
3. The jurisdiction should possess at least a “Largely Compliant” rating by the Global Forum with respect to the OECD Exchange of Information on Request (EOIR) standard (<i>Current and enhanced criterion</i>)	Anguilla , <i>British Virgin Islands</i> , Gabon, Kazakhstan, <i>Montenegro</i> , <i>Panama</i>
4. The jurisdiction has to be committed to the OECD Multilateral Convention on Mutual Administrative Assistance (MCMAA) in Tax Matters (<i>Current criterion</i>)	Belarus, Guyana, Palau
5. Global exchange of beneficial-ownership information (<i>Future criterion</i>)	Andorra, Azerbaijan, Barbados, Belarus, Dominica, Grenada, Israel, Oman, Palau , Saint Lucia, San Marino

Note: Data from OECD “Compare Your Country – Tax Cooperation” for items 1, 3, and 4, Open Ownership’s Beneficial Ownership Registries database for item 5, and OECD lists of High-Risk CBI/RBI Programmes for item 2. Bold font identifies current EU blacklisted countries and italic font identifies current greylisted countries. Countries with GDP per capita below the median are not included. Our ranking might not match the Code of Conduct ranking, even for current criterion, as countries’ commitments are taken into account in the Code of Conduct blacklisting.

Table II: Fair Taxation Criteria

<i>Source</i>	<i>No or nominal tax jurisdictions</i>
1. Countries with 0% CIT, with or without substance regimes (<i>Current and enhanced criterion</i>)	Anguilla , Bahamas, Bahrain, Bermuda, <i>British Virgin Islands</i> , Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands

Note: Data from OECD Data Explorer (<https://data-explorer.oecd.org/?lc=en>). Bold font identifies current EU blacklisted countries and italic font identifies current greylisted countries. Countries with GDP per capita below the median are not included. Our ranking might not match the Code of Conduct ranking, even for current criterion, as countries commitments are taken into account into the Code of Conduct blacklisting.

Table III: Anti-BEPS criteria

<i>Assessment / Source</i>	<i>Jurisdictions concerned</i>
1. Implementation of anti-BEPS minimum standards (<i>Current criterion</i>)	Cyprus, Sint Maarten

Note: Data from OECD “Compare Your Country – Tax Cooperation” and Code of Conduct. Bold font identifies current EU blacklisted countries and italic font identifies current greylisted countries. Countries with GDP per capita below the median are not included. Our ranking might not match the Code of Conduct ranking, even for current criterion, as countries commitments are taken into account into the Code of Conduct blacklisting.