Effective Labor Taxation and the International Location of Headquarters

Peter Egger[‡] Doina Radulescu[§] Nora Strecker[¶]

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Abstract

This paper analyzes the implications of labor taxation for the international location of headquarters. We construct a unique data set of effective labor taxes in 120 countries and use data on the location of 35,206 firms to consider the impact of labor income taxation, social security contributions, and the tax system's degree of progressivity on a firm's decision where to locate its headquarters. Using conditional logit and nested logit as econometric techniques, our findings suggest that both a higher progressivity of the tax system and higher employee-borne and employer-borne social security contributions negatively influence a country's attractiveness as a possible location for headquarters. Accordingly, a one percentage point increase in a country's mean labour income tax leads- on average- to a reduction in the probability of the country as a potential host for headquarters by 0.023.

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[‡]ETH Zurich, CEPR, CESifo, GEP University of Nottingham, and Oxford Center of Business Taxation. Address: ETH Zurich, KOF, WEH E 5, Weinbergstrasse 35, 8092 Zurich, Switzerland. E-mail: egger@kof.ethz.ch.

[§]ETH, Zurich and CESifo. Address: ETH Zurich, KOF, WEH E 6, Weinbergstrasse 35, 8092 Zurich, Switzerland. E-mail: radulescu@kof.ethz.ch.

[¶]ETH, Zurich. Address: ETH Zurich, KOF, WEH C 14, Weinbergstrasse 35, 8092 Zurich, Switzerland. E-mail: strecker@kof.ethz.ch.

1 Introduction

The taxation of profits and capital has up to now been on the agenda of the majority of papers dealing with the effects of taxation on investment decisions of firms (see, for instance, Devereux and Griffith, 1998; Devereux and Hubbard, 2003). The common assumptions about the cross-border mobility of capital and the immobility of labor, as well as the presumption that these two factors of production are used independently for firm set-up and production, partially explain this major interest in the effects of the taxation of mobile capital, solely. Employee- and employer-borne taxes on wages have been considered implicitly by the literature on the impact of labor costs on the activity of multinational enterprises (see Markusen, 2002; Becker, Ekholm, Jäckle and Muendler, 2005). These studies, however, do neither decompose labor cost into the 'net wage' and the 'tax' component, nor do they disentangle the employees' and the employers' tax burden in their role for multinational enterprises. Recently however, a number of theoretical and empirical papers have surfaced which conjecture that individuals with above average skill also display a high propensity to move across borders.

This accordingly implies that not only the taxation of profits of mobile firms but also the taxation of people with a high skill level and accordingly high per-capita income is crucial for the decision of firms where to locate their headquarters. That this is indeed the case, has been proven by the recent reactions of firms such as Procter and Gamble, McDonalds or Kraft, which relocated their European headquarters from London to Switzerland, a move that was also motivated by the lower taxes on high-income earners in Switzerland.

Under these circumstances, we argue that first, higher *employer*-borne taxes on high-skilled labor negatively influence a firm's profits, as they represent a direct cost for the firm. Second, higher *employee*-borne taxes exercise a negative effect on manager's effort and hence indirectly affect a firm's profits. Given that high-skilled labor services in firms are mainly linked to headquarters, the level of income taxes and social security contributions as well as the progressivity of a country's tax system

play an important role for a country's attractiveness as headquarters' location.

Our findings support this argument. The present paper makes two important contributions. First, we construct a unique panel data set on average and marginal effective labor income taxes (including besides labor income taxes also employee- and employer-borne social security contributions, tax credits, tax allowances and deductions, and detailed tax schedules) for 120 economies for the time period 1990-2009. For the purposes of this paper, we limit the data set to a cross-section of the years 2005-2009, which restricts the set to 120 countries and 37,502 firms. The overall merged data set includes accordingly data on 80 countries and 35,206 firms.

Second, we use these detailed tax data as well as headquarters location data from Compustat, to scrutinize the impact of labor taxes and social security contributions on the headquarter location decision of firms. Our results indeed suggest that the progressivity of a country's tax system as well as the social security contributions paid by firms and employees respectively, exert a negative impact on a firm's decision where to locate its headquarters. Hence, a one percentage point increase in a country's average labour income tax induces - on average- a decrease in the probability of a country as a potential location for headquarters by 0.022.

Only a small number of studies in the literature on firms address the issue of the location of headquarters in particular. The paper closest to ours by Egger and Radulescu (2011) considers the effects of labor taxation on foreign direct investment and headquarter location, using however only a small cross-section of 52 countries and a different estimation strategy. They examine bilateral FDI flows using three different specifications namely OLS, gravity models and negative binomial models. Nevertheless, for the issue at stake, the conditional logit and nested logit we employ in the present paper are more appropriate to correctly identify the factors that influence a firm's headquarters location decision. Other empirical studies that also consider further important determinants for the location of headquarters, without scrutinizing the effect of labor income taxation are by Strauss-Kahn and Vives (2009), Davis and Henderson (2008), Defever (2006) and Bel and Fageda (2008). While Strauss-Kahn and Vives (2009) investigate the location of headquarters for only the

U.S. for the years 1996 to 2001, our paper addresses the international location of headquarters. Their findings suggest that factors such as low average wages, low corporate taxes, agglomeration of headquarters in the same sector, have a significant positive impact on the relocation of headquarters. Davis and Henderson (2008) use a panel data set on auxiliary establishments of firms in the US and show that a higher number of local service input providers and the scale of other headquarters activity nearby stimulates the agglomeration of headquarters. The co-location of non-European firms' value chain in the European Union for the period 1997-2002 is at the heart of the paper by Defever (2006). Defever illustrates that the location of service activities depends in particular on functional aspects and that headquarter location does not seem to attract any other part of a firm's value chain. Finally, Bel and Fageda (2008) employ data on major EU 25 urban areas, firm-level data, as well as data on international flights. Their findings indicate that, among others, proximity to large markets, and the supply of direct international flights influence positively the headquarters location choice.

The paper is structured as follows. In the next section, we present our data with a special focus on the description of effective labor income taxes, Section three introduces the two empirical strategies employed – conditional logit and nested logit, in Section four we present our results and finally Section five concludes.

2 The Data

One of the two main contributions of our paper is the construction of a unique panel on effective labor income taxes for 120 worldwide countries for the years 1990-2009. We follow the methodology described in Egger and Radulescu (2011) to compute marginal and average effective taxes for an individual earning 100 per cent of the average wage or five times the average wage of an economy. As opposed to Peter, Buttrick and Duncan (2010), who compute the tax liability for pre-tax incomes equivalent to one, two, three and four times a country's GDP per capita, we use

multiples of gross wages as our starting point as we consider this to be the appropriate tax base. Furthermore, we also incorporate social security contributions in the computation of effective taxes, because these are crucial for the correct inference of the effective tax burden on labor.

These effective labor income taxes include besides the progressive labor income taxes also employee- and employer-borne social security contributions, as well as other detailed provisions of the respective national tax codes such as personal tax allowances, tax credits, standard deductions, country-specific formulae or local taxes. In addition, we also evaluate the progressivity of a country's tax schedule, as this variable especially mirrors the tax burden on high-skilled and accordingly high-income earners.

The information needed to construct this comprehensive data set was assembled from numerous sources such as individual countries' tax laws, publications from international organizations or international accounting firms. Among the most important sources we would like to mention the OECD Taxing Wages data sets for several years, PricewaterhouseCoopers Individual Taxes: Worldwide Summaries various years, the Social Security Observatory published by the International Social Security Association as a source for social security legislation or the United Nations for data on annual gross wages, in addition to a large number of individual country-specific sources. Our second main data source is Compustat, which provides information on the worldwide location of firms' headquarters. Furthermore, we also employ WDI data from the World Bank such as GDP, capital stock[1] and education data.

The main explanatory variables we are interested in shed light on the influence of the various components of effective labor taxes on the headquarter location decision. Hence, $AverageLabTax$ denotes the average income tax burden on an individual earning the average wage, $Prog_{500}$ indicates the progression of a country's tax schedule defined as the log difference between the marginal taxes of an individual earning five times the average wage and the marginal tax of an individual

[1]We compute national capital stock data using WDI data on gross annual investment.

earning the average wage. Since social security contributions are also an important component of effective income taxes, we also distinguish between $EmployeeSocSec$ and $EmployerSocSec$ which represent employee-borne and employer-borne social security contributions respectively. Further important aspects which also influence a firm's headquarter location choice are captured by the following additional explanatory variables. These are $CorpTax$, a country's corporate tax rate from **xxx**, GDP, $CapStock$, a country's capital stock, and $Flights$, the number of domestic and international flights registered in a particular country (all collected from the World Bank-World Development Indicators), $Wage$, the average national wage in U.S. dollars provided by the UN, $TertEdu$, the share of population with tertiary education from Lutz, Goujon and Sanderson (2007),and finally $R\&D$ which captures the average R&D expenditures in a given country provided by Compustat.

Given that nested logit regressions can only be performed in Stata with cross-sectional data we have to resort here to a cross section of the years 2005-2009. Table 1 provides summary statistics of our explanatory variables for our overall data set, which includes location data from the 80 countries and 35,206 firms.

[Table 1 about here]

Of these 35,206 headquarters, 19,886 are located in high income countries, 7,029 in middle-high income countries, 2,196 in middle income countries, 1,760 in middle to low income economies whereas 4,335 companies locate their headquarters in low income economies.[2]

As we can see from Table 1, the mean average labor tax burden on an individual earning the average wage is 10.2 per cent and the maximum 36.3 per cent. The mean progressivity is 15.0 per cent and has a maximum value of 43.2 per cent. Furthermore, on top of labor income taxes individuals and employers also pay social security contributions. Accordingly, in our overall sample, the mean values of employer-borne and employee-borne social security contributions are 10.8 and 7.1

[2]The classification into different income categories follows the World Bank definition.

per cent, respectively with maximum values of 37.2 and 30.0 per cent, respectively. Table 1 also reports summary statistics on corporate taxes, which range from a minimum value of 0 per cent to a maximum of 41.1 per cent with an average value of 32.3 per cent. The lowest average wage amounts to 19.6 USD recorded in Zimbabwe and the highest wage is 66,850 USD recorded in Switzerland.

For the nested logit specification, we also need to group countries into different categories. We therefore choose to group countries into different income groups according to their GDP per capita by following the World Bank classification systems. Thus, of the 80 countries in our sample, 15 fall into the high-income category, 15 into the middle-high income class, 16 are middle-income economies, 18 middle-low income countries, and 16 low-income countries. Table 2 shows the distribution of the independent variables described above, this time classified by income categories. As Table 2 illustrates, as expected, the highest values for all explanatory variables are recorded in high-income economies. Furthermore, 56.5 per cent of all headquarters in our sample are located in high-income economies. Middle-to-high income economies host around 20 per cent of headquarters and around 12 per cent are located in low-income economies.

[Table 2 about here]

3 Empirical Strategy

This section introduces the empirical specifications we apply to identify whether labor taxes play a role in a firm's decision where to locate its headquarters. To estimate choice behavior, one appropriate model is the conditional logit model (McFadden, 1974). This model is suitable to address the question of how a country's characteristics, particularly, the effective taxes on labor income, affect a country's likelihood of being chosen as a headquarter location.

Our dependent variable Loc_{ij} represents the location of headquarters of firm i in country j and takes the value one if the firm i has its headquarters in country j

and zero otherwise. Data on the location of a firm's headquarter is collected from Compustat, a firm-level data provider. Firms decide between a total of m country alternatives.

3.1 Conditional Logit

The conditional probability of headquarter location for firm i in country j is first estimated using the following logistic regression model

$$Pr(Loc_{ij}|x_{ij}) = \frac{exp(\beta x'_{ij} + \gamma_j z'_i)}{\sum_{l=1}^{m} exp(\beta x'_{il} + \gamma_l z'_i)}, \quad j = 1...m \tag{1}$$

where x'_{ij} denotes a vector of *alternative-specific* variables facing headquarter of firm i in country j and z'_i is a vector of *firm-specific* variables. β and γ_j are the corresponding coefficients estimated by the maximum likelihood method for a total of m country-alternatives. We can subsequently drop the subscript i, and restate the model as,

$$Pr(Loc = j|x_j) = \frac{exp(\beta x'_j)}{\sum_{l=1}^{m} exp(\beta x'_l)}, \quad j = 1...m \tag{2}$$

which requires the exclusion of *firm-specific* data and focussing solely on *alternative-specific* data. This is our preferred model specification because we are ultimately interested in estimating the probability of headquarters locating in country j, rather than in estimating the probability of a specific headquarter i locating in country j. x_j represents a vector of *alternative-specific* explanatory variables, facing all firms in a country. These are, as described in Section 2 $AverageLabTax$, $Prog_{500}$, $EmployeeSocSec$ and $EmployerSocSec$, $CorpTax$, GDP, $CapStock$, $Wage$, $TertEdu$, $Flights$ and $R\&D$.

The conditional logit model requires the following assumptions to be fulfilled: first, error terms must be independently distributed and second the independence of irrelevant alternatives (IIA) criterion must be met. This second criterion requires that the logit probability ratio of any pair of alternatives does not change with the inclusion or omission of another alternative in the set. To put it differently, the

conditional probability ratio of a country pair should not change with the inclusion of a third country. *IIA* implies that

$$\frac{P(Loc = j|x_j)}{P(Loc = k|x_k)} = \frac{\frac{exp(\beta x'_j)}{\sum_{l=1}^{m} exp(\beta x'_l)}}{\frac{exp(\beta x'_k)}{\sum_{l=1}^{m} exp(\beta x'_l)}} = \frac{exp(\beta x'_j)}{exp(\beta x'_k)} = exp(x'_j - x'_k)\beta \tag{3}$$

and accordingly, the probability ratio solely depends on the relative alternatives and their respective characteristics.

International headquarters' location choice does not meet the *IIA* criterion for the following reason: the benefits of an omitted location option is assumed to be correlated to similar locations; therefore, including a previously omitted country would alter the probability at which similar countries are chosen. For example, exclusion of Canada from the list of alternative countries would increase the probability that firms locate in the United States. Similarly, Germany and France would have correlated error terms, both being in Europe. This correlation is ruled out under *IIA*; therefore, the conditional logit model produces biased estimates of the effects of taxes on the location decision. Thus, we employ the nested logit model as an alternative econometric approach because it meets the IIA criterion.

3.2 Nested Logit

In the nested model, we group countries by income group, measured according to their GDP per capita (low, mid-low, middle, mid-high, and high). The decision to locate in country j is split into first the choice of nest, which in our model is determined by the nest-specific characteristics, which do not vary within a nest, and in a second step, the choice in which of the countries within the nests to locate. Since we assume that firms will locate where profits are maximized, we can write the nested logit model as:

$$Loc_{ij} = \beta_j x'_{ij} + \delta_n w'_n \tag{4}$$

where x_{ij} is a vector of alternative-specific variables firm i faces in country j and w_n denotes a vector of nest-specific variables determining the choice of nest. We can

once again generalize this to all firms as

$$Loc_j = \beta_j x'_j + \delta_n w'_n \tag{5}$$

The probability of firm i locating in country j, $Pr(Loc_i = j)$, is the product of the conditional probability times the joint probability of being in a particular nest at each step of the location decision,

$$Pr(Loc_{ij}) = \underbrace{Pr[Loc_{ij}|Loc_i \in N(j)]}_{(a)} * \underbrace{Pr[Loc_i \in N(j)]}_{(b)} \tag{6}$$

The probability of Loc_i being in j, $Pr(Loc_{ij})$ is equal to the product of the probability of Loc_i being in j, conditional on Loc_i being in nest $N(j)$ (term (a) in equation (6)), and the conditional probability of Loc_i being in nest $N(j)$ (term (b) in equation (6)) . We specify a random utility maximization model, which we base on the assumption that the dissimilarity parameter $\tau(j)$ is within the unit interval. We choose the random utility maximization model, as it will impose the least restrictions on the structure of the nested logit and will allow us to compare countries across nests, rather than within a nest[3].

$$\tau_{N(j)} = \sqrt{1 - \rho_{N(j)]}} \tag{7}$$

where $\rho_{N(j)}$ denotes the correlation coefficient of the nest $N(j)$, which will be determined by the error correlation among the individual alternatives within $N(j)$.

We split the two components of equation (6) above, namely the conditional probability, term (a), and the joint probability, term (b), to derive the model for $Pr(Loc_i = j)$.

$$Pr[Loc_{ij}|Loc_i \in N(j)] = \frac{e^{\frac{Loc_{ij}}{\tau(j)}}}{\sum_{l \in N(j)} e^{\frac{Loc_{il}}{\tau(j)}}} \tag{8}$$

where the denominator can be rewritten as

$$\sum_{l \in N(j)} e^{\frac{Loc_{il}}{\tau(j)}} = e^{IV_i(j)} \tag{9}$$

[3]We are ultimately interested in comparing the influence of labor taxation on locating in China versus locating in the United States, even if these two alternatives are not in the same nest.

such that

$$IV_i(j) = \ln \sum_{l \in N(j)} e^{\frac{Loc_{il}}{\tau(j)}} \tag{10}$$

$IV_i(j)$ denotes the inclusive value of nest $N(j)$, measuring the expected value of the forgone utility that can be derived from the remaining alternatives in nest $N(j)$, when choosing j.[4] The term (b) in equation (6) is the probability of Loc_i being in nest $N(j)$, can be expressed as

$$Pr[Loc_i \in N(j)] = \frac{e^{\tau(j) IV_i(j)}}{\sum_{k \in N(k)} e^{\tau(k) IV_i(k)}}, \quad k \not\in N(j) \tag{11}$$

By multiplying the two probabilities defined in eq.(8) and (11) we get $Pr(Loc_{ij})$

$$Pr(Loc_{ij}) = \frac{e^{\frac{Loc_{ij}}{\tau(j)}}}{\sum_{l \in N(j)} e^{\frac{Loc_{il}}{\tau(j)}}} * \frac{e^{\tau(j) IV_i(j)}}{\sum_{k \in N(k)} e^{\tau(k) IV_i(k)}} \tag{12}$$

Since we can easily derive estimates of $\beta_j x'_{ij}$ and $\delta_n w'_n$, we can sum over i for each alternative j and get values for $Pr(Loc_{ij})$. Furthermore, we can obtain estimates for $IV_i(j)$, which we then sum over i and per alternative j, and accordingly derive values for $Pr(Loc_j)$, which is the marginal probability of choosing country j. We summarize these marginal choice probabilities in Tables 5 and 6 and illustrate further, how changes in a country's tax rate will affect these marginal choice probabilities.

4 Estimation Results

As explained above, we hypothesize a negative effect of $AverageLabTax$, $Prog_{500}$, $EmployeeSocSec$ and $EmployerSocSec$, on a country's attractiveness as a potential location choice of headquarters. Higher labor income taxes, higher employee-borne social security contributions and a more progressive tax system exert a negative

[4] It must be noted that while $\tau(j)$ is constant for all alternatives in nest $N(j)$, the inclusive value will not be, $IV_i(j) \neq IV_i(l)$.

effect on effort whereas higher employer-borne social security contributions represent higher direct labor costs for the firms such that all four variables negatively affect expected profits. Furthermore, as mentioned above, we include a number of additional controls such as $CorpTax$, GDP, $CapStock$, $Wage$, $TertEdu$, $Flights$ and $R\&D$ which also capture additional factors that influence a firm's headquarter location choice as well as three interaction terms. We rationalize the effects of these additional controls in the following way: higher corporate taxes and higher average wages should reduce a country's attractiveness as a potential location for headquarters since they both reduce profits. In line with previous theoretical research, we expect that a higher capital stock, a proxy for the availability of capital in a country and a higher GDP positively influence the inclination of firms to locate in a particular country. Finally, a more educated population as well as more domestic and international flights should also increase a country's attractiveness as a potential host for headquarters. In all specifications, we use the log of the independent variables at stake. Furthermore, a considerable number of countries have labor income, social security, and corporate income taxes of zero, such that we choose to use the log of one minus the respective variable in our regressions. This is why a positive number for the first five variables in Tables 3 and 4 actually reflects a negative coefficient for the variable under consideration. The interaction terms illustrate that we assume there are significant interactions between wages and the share of population with tertiary education, between the capital stock and GDP or between a country's wage and GDP.

4.1 Conditional Logit

Table 3 presents the regression results for the conditional logit specification. In this Table, we present the results of three alternative specifications, which differ with respect to the number of additional control variables included. As we can see, all coefficients of our main variables of interest, namely $AverageLabTax$, $Prog_{500}$, $EmployeeSocSec$ and $EmployerSocSec$ are negative and highly significant in all

three model specifications. Furthermore, a higher capital stock or a higher GDP have as expected a positive effect on the decision to locate in a particular country. These results are all significant at the 1 per cent level. The decision to locate a company's headquarters may be also driven by a number of additional factors. Hence, we include further explanatory variables in the different model specifications to capture these effects. The results show that a higher corporate tax or higher average wages negatively influence a country's attractiveness as a possible host for firms' headquarters, with the former also being significant at the one per cent level. In Models (2) and (3), we consider the influence of the country's share of population with tertiary education. The coefficient of interest is positive and highly significant. In Model (3), the effect of the number of international flights is as expected also positive and significant. Given that we are using a non-linear model, the coefficients of our main variables of interest, reported in Table 3 have to be translated into marginal probabilities and marginal effects to obtain more informative results. Accordingly, a one percentage point increase in a country's average labour income tax or an increase by one standard deviation leads - on average - to a decrease in the conditional probability of a country as a potential location for headquarters by 0.023. Table 7 reports the marginal effects obtained from the conditional logit specification for all countries in our sample. Column A shows the results for a one percentage point increase in the labour income tax whereas columns B and C report the results for a marginal increase in the country's tax system degree of progressivity and corporate income tax respectively. Thus, we can see that for a one percentage point increase in a country's average labour income tax, the reduction in probabilities range between 0.306 in the US, or 0.231 in Japan to no change at all in countries such as Bolivia or Malta.

[Table 3 about here]

[Table 5 & 7 & 9 about here]

4.2 Nested Logit

For the reasons explained in Section 3.1, the nested logit model is a more appropriate technique to correctly identify the headquarter location choice. Table 4 reports the results of a nested logit model, employing the average log of GDP per capita for each nest as the nest-specific variable, w'_n. The log of the sector-specific headquarter agglomeration is used as the case-specific variable, z'_{ih}. As in the conditional logit specification, the coefficients of our main variables of interest, namely $AverageLabTax$, $Prog_{500}$, $EmployeeSocSec$ and $EmployerSocSec$ are negative and highly significant in all three models. The marginal effects for all countries in our sample and for a marginal change in the average labour income tax, the degree of progressivity, or the corporate income tax are reported in Table 8.

[Table 4 about here]

[Table 6&8&10 about here]

5 Conclusion

This paper provides evidence on the impact of different components of effective labor taxes on the international location decision of firms' headquarters using data on 37,026 firms' headquarters and 80 countries. We compile a unique data set on effective labor income taxes comprising besides labor taxes also both employee-borne and employer-borne social security contributions as well as further country specific regulations. We merge this tax data with data from Compustat that provides information on the location of firms' headquarters and data from WDI on country specific characteristics. The richness of our tax data and the large number of firm headquarters' observations as well as the econometric specifications employed, allows a more precise identification of the impact of effective labor taxes on firms headquarters' location.

Overall, our findings suggest that the progressivity of a country's tax schedule, the social security contributions levied and the level of the labor income tax affect the conditional probability of firms' headquarters location choice. Hence, a one percentage point increase in a country's average labour income tax leads - on average- to a reduction in the probability of a country as a potential location for headquarters by 0.022.

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Appendix

Table 1: Summary Statistics for Overall Sample

	Mean	Stddev	Median	Max	Min	Nb-obs
	(1)	(2)	(3)	(4)	(5)	(6)
$AverageLabTax$	0.102	0.072	0.108	0.363	0.000	35,206
$Prog_{500}$	0.150	0.067	0.128	0.432	0.000	35,206
$EmployerSocSec$	0.108	0.066	0.071	0.372	0.000	35,206
$EmployeeSocSec$	0.071	0.046	0.071	0.300	0.000	35,206
$CorpTax$	0.323	0.068	0.306	0.411	0.000	35,206
$GDP, mil.$	3,908,000	4,767,000	2,470,000	13,720,000	3,418	35,206
$CapStock, mil.$	5,323,000	5,960,000	2,640,000	16,410,000	8,060	35,206
$TertEdu$	0.583	0.129	0.587	0.858	0.167	35,206
$Wage$	34,143.721	18,369.533	39,687.343	66,850.955	19.583	35,206

Notes: GDP and $CapStock$ are expressed in millions USD.

Table 2: Summary Statistics for All Countries Classified by Income Categories

	Mean	Stddev	Median	Max	Min	Nb-obs
	(1)	(2)	(3)	(4)	(5)	(6)
High Income Economies						
$AverageLabTax$	0.143	0.054	0.157	0.293	0.008	19,886
$Prog_{500}$	0.154	0.073	0.128	0.432	0.005	19,886
$EmployerSocSec$	0.097	0.034	0.095	0.241	0.006	19,886
$EmployeeSocSec$	0.079	0.039	0.071	0.300	0.014	19,886
$CorpTax$	0.350	0.059	0.394	0.411	0.125	19,886
$GDP, mil.$	5,886,000	5,338,000	4,650,000	13,720,000	48,370	19,886
$CapStock, mil.$	7,992,000	6,450,000	9,829,000	16,410,000	51,100	19,886
$TertEdu$	0.627	0.100	0.711	0.858	0.507	19,886
$Wage$	47,108.271	5,876.501	48,248.667	66,850.955	39,687.343	19,886
Middle-High Income Economies						
$AverageLabTax$	0.068	0.061	0.053	0.250	0	7,029
$Prog_{500}$	0.189	0.072	0.177	0.301	0	7,029
$EmployerSocSec$	0.146	0.084	0.114	0.276	0	7,029
$EmployeeSocSec$	0.100	0.057	0.071	0.177	0	7,029
$CorpTax$	0.276	0.070	0.275	0.355	0	7,029
$GDP, mil.$	1,398,000	1,163,000	922,200	3,208,000	6,873	7,029
$CapStock, mil.$	1,885,000	1,429,000	1,617,000	4,146,000	14,460	7,029
$TertEdu$	0.624	0.107	0.639	0.825	0.259	7,029
$Wage$	31,846.546	9,797.017	34,539.302	44,759.565	7,007.54	7,029
Middle Income Economies						
$AverageLabTax$	0.061	0.042	0.040	0.184	0	2,196
$Prog_{500}$	0.117	0.055	0.125	0.209	0	2,196
$EmployerSocSec$	0.130	0.049	0.112	0.258	0.043	2,196
$EmployeeSocSec$	0.095	0.047	0.096	0.187	0	2,196
$CorpTax$	0.245	0.041	0.271	0.350	0.150	2,196
$GDP, mil.$	338,200	311,900	178,800	1,191,000	6,587	2,196
$CapStock, mil.$	393,300	341,300	245,000	1,273,000	8,060	2,196
$TertEdu$	0.571	0.121	0.599	0.841	0.278	2,196
$Wage$	12,609.249	4,382.743	15,129.88	22,551.677	1,110.9783	2,196
Middle-Low Income Economies						
$AverageLabTax$	0.039	0.041	0.017	0.238	0	1,760
$Prog_{500}$	0.161	0.032	0.143	0.198	0	1,760
$EmployerSocSec$	0.091	0.076	0.048	0.372	0.019	1,760
$EmployeeSocSec$	0.048	0.03	0.048	0.129	0.004	1,760
$CorpTax$	0.309	0.031	0.300	0.350	0.122	1,760
$GDP, mil.$	465,800	460,200	259,200	1,310,000	7,644	1,760
$CapStock, mil.$	486,500	364,100	388,400	1,136,000	9,017	1,760
$TertEdu$	0.384	0.104	0.386	0.814	0.167	1,760
$Wage$	7,586.8288	3,920.6359	8,546.9517	18,640.977	2,556.415	1,760
Low Income Economies						
$AverageLabTax$	0.023	0.046	0.013	0.363	0	4,335
$Prog_{500}$	0.125	0.049	0.090	0.187	0	4,335
$EmployerSocSec$	0.108	0.105	0.067	0.231	0	4,335
$EmployeeSocSec$	0.015	0.016	0.019	0.087	0	4,335
$CorpTax$	0.324	0.025	0.306	0.363	0.200	4,335
$GDP, mil.$	1,916,000	1,431,000	1,107,000	3,600,000	3,418	4,335
$CapStock, mil.$	2,791,000	2,189,000	1,512,000	5,378,000	9,733	4,335
$TertEdu$	0.445	0.128	0.420	0.587	0.199	4,335
$Wage$	2,056.581	1,180.040	1,444.282	3,995.295	19.583	4,335

Notes: *GDP* and *CapStock* are expressed in millions USD. High-income countries: AUS, AUT, BEL, CAN, CHE, DNK, FIN, GBR, IRL, JPN, LUX, NLD, NOR, SWE, USA; Middle-high-income countries: BHR, BHS, CYP, DEU, ESP, FRA, GRC, HKG, ITA, KOR, MAC, NZL, PRT, SGP, SVN; Middle-income countries: CHL, CZE, EST, GAB, HRV, HUN, LTU, LVA, MEX, MLT, MYS, POL, RUS, SAU, SVK, TUR; Middle-low-income countries: ARG, BGR, BRA, COL, CRI, DOM, ECU, JOR, KAZ, MAR, MUS, NAM, PAN, PER, ROM, THA, UKR, ZAF; Low-income countries: BGD, BOL, CHN, CIV, EGY, GHA, IDN, IND, KEN, LKA, PAK, PHL, PRY, VNM, ZMB, ZWE.

Table 3: Conditional Logit Results for Country Choice

	Model	Model	Model
	(1)	(2)	(3)
$ln(1 - AverageLabTax)$	1.730***	1.356***	0.387**
	0.109	0.149	0.169
$ln(Prog_{500})$	0.598***	0.590***	0.507***
	0.089	0.096	0.108
$ln(1 - EmployerSocSec)$	5.202***	5.709***	4.897***
	0.077	0.095	0.107
$ln(1 - EmployeeSocSec)$	1.943***	2.055***	0.539***
	0.143	0.146	0.168
$ln(1 - CorpTax)$	1.413***	0.585***	1.574**
	0.076	0.124	0.133
$ln(GDP)$	1.211***	1.408***	0.706***
	0.066	0.081	0.098
$ln(CapStock)$	2.948***	2.908***	3.384***
	0.080	0.091	0.1385
$ln(Wage)$	−0.004	−0.208	−0.223
	0.127	0.142	0.167
$ln(TertEdu)$		1.924***	2.332***
		0.213	0.234
$ln(Flights)$			0.311***
			0.015
$ln(R\&D)$			−0.095***
			0.004
$ln(Wage * TertEdu)$		−0.207***	−0.269***
		0.022	0.024
$ln(CapStock * GDP)$	−0.062***	−0.066***	−0.065***
	0.005	0.003	0.004
$ln(Wage * GDP)$	0.009*	0.011**	0.008
	0.003	0.005	0.006
$Cases$	35,840	35,206	34,136
LR	90,832.95***	79,900.74***	59,591.48***
$Pseudo - R^2$	0.2763	0.2595	0.2183

Notes: Choice of country using conditional logit model. We also include interaction terms between GDP and $CapStock$, GDP and $Wage$, and $Wage$ and $TertEdu$. The models are run on increasingly smaller samples, as fewer variables allows for more countries to remain in the estimation sample. Standard errors are reported underneath the coefficients. The symbols ***, ** and * are used to denote the significance at 1, 5 and 10 percent levels, respectively. N is the number of firms for which all explanatory variables were available.

Table 4: Nested Logit Results for Country Choice

	Model (1)	Model (2)	Model (3)
Alternative-Specific			
$ln(1 - AverageLabTax)$	2.546***	3.234***	1.849***
	0.464	0.551	0.322
$ln(Prog_{500})$	0.282**	0.617***	−0.719***
	0.117	0.162	0.186
$ln(1 - EmployerSocSec)$	5.138***	6.155***	4.475***
	0.905	1.008	0.703
$ln(1 - EmployeeSocSec)$	3.104***	3.355***	3.376***
	0.568	0.578	0.554
$ln(1 - CorpTax)$	1.353***	0.369**	2.929***
	0.251	0.145	0.479
$ln(GDP)$	0.569***	0.856***	−0.958***
	0.134	0.176	0.186
$ln(CapStock)$	4.276***	4.406***	5.687***
	0.754	0.727	0.881
$ln(Wage)$	−4.682***	−5.590***	−7.619***
	0.837	0.926	1.183
$ln(TertEdu)$		2.666***	0.453**
		0.477	0.224
$ln(Flights)$			0.377***
			0.060
$ln(R\&D)$			−0.118***
			0.019
$ln(Wage * TertEdu)$		−0.291***	−0.049**
		0.052	0.024
$ln(CapStock * GDP)$	−0.110***	−0.123***	−0.132***
	0.020	0.020	0.021
$ln(Wage * GDP)$	0.202***	0.227***	0.312***
	0.036	0.038	0.048
Nest-Specific			
$High$			
$ln(GDP_{percapita})$	−0.090	−0.093	−0.159**
	0.069	0.068	0.076
τ	0.962	1.046	1.080
	0.169	0.171	0.165
$Midhigh$			
$ln(GDP_{percapita})$	−0.139**	−0.122**	−0.274***
	0.064	0.060	0.082
τ	1.200	1.242	1.642
	0.211	0.204	0.253
$Middle$			
$ln(GDP_{percapita})$	−0.152***	−0.205***	−0.052
	0.049	0.057	0.035
τ	1.275	1.600	0.924
	0.226	0.264	0.147
$Midlow$			
$ln(GDP_{percapita})$	−0.015	−0.025	−0.024
	0.023	0.027	0.029
τ	0.825	0.854	0.931
	0.146	0.141	0.147
Low			
$ln(GDP_{percapita})$	0.258	0.288	0.314
	$(base)$	$(base)$	$(base)$
τ	0.575	0.511	0.380
	0.102	0.085	0.062
Cases	35,840	35,206	34,136
Log-Likelihood	−117,942.35	−112,862.75	−105,721.73
LR for IIA	758.78***	1,055.5***	760.46***

Notes: Choice of country using nested logit model with income nesting. Model (1) (2) and (3) use the respective conditional logit models, modified for nested logit using the nest-average $GDP_{percapita}$. Standard errors are reported underneath the coefficients. The symbols ***, ** and * are used to denote the significance at 1, 5 and 10 percent levels, respectively. N is the number of firm-alternatives for which all explanatory variables were available.

Table 5: Conditional Logit Marginal Probabilities

Country	Model (1)	Model (2)	Model (3)	*Country*	Model (1)	Model (2)	Model (3)
ARE	0.000			*KOR*	0.007	5.650	5.704
ARG	0.000	0.376	0.366	*KWT*	0.000		
ATG	0.000			*LBN*	0.000		
AUS	0.002	3.382	3.859	*LKA*	0.000	0.090	0.073
AUT	0.000	0.574	0.651	*LTU*	0.000	0.036	0.027
BEL	0.000	0.573	1.346	*LUX*	0.000	0.132	0.103
BGD	0.000	0.249	0.426	*LVA*	0.000	0.038	0.056
BGR	0.000	0.069		*MAC*	0.000	0.083	
BHR	0.000	0.062		*MAR*	0.000	0.338	0.241
BHS	0.000	0.066		*MDA*	0.000		
BMU	0.000			*MEX*	0.002	2.703	1.289
BOL	0.000	0.016		*MLT*	0.000	0.012	
BRA	0.002	1.478	0.804	*MUS*	0.000	0.026	
BRB	0.000			*MYS*	0.000	0.740	2.057
BWA	0.000			*NAM*	0.000	0.023	
CAN	0.007	4.203	3.343	*NLD*	0.000	1.296	0.796
CHE	0.000	2.145	1.435	*NOR*	0.000	1.094	0.695
CHL	0.000	0.598	0.351	*NZL*	0.000	0.804	1.086
CHN	0.287	3.502	4.252	*OMN*	0.000		
CIV	0.000	0.002		*PAK*	0.000	0.286	0.525
COL	0.000	0.150		*PAN*	0.000	0.037	
CRI	0.000	0.064		*PER*	0.000	0.261	0.384
CYP	0.000	0.067		*PHL*	0.000	0.339	0.377
CZE	0.000	0.204	0.317	*PNG*	0.000		
DEU	0.164	3.419	3.735	*POL*	0.000	0.580	0.951
DNK	0.000	1.530	1.087	*PRT*	0.000	0.560	0.302
DOM	0.000	0.069		*PRY*	0.000	0.031	
ECU	0.000	0.147		*QAT*	0.000		
EGY	0.000	0.181		*ROM*	0.000	0.047	0.207
ESP	0.006	1.888	2.079	*RUS*	0.001	1.361	0.644
EST	0.000	0.025	0.024	*SAU*	0.000	1.619	0.948
FIN	0.000	0.418	0.382	*SEN*	0.000		
FRA	0.032	1.819	2.821	*SGP*	0.000	0.769	1.558
GAB	0.000	0.020		*SVK*	0.000	0.106	0.278
GBR	0.077	6.244	8.403	*SVN*	0.000	0.067	0.060
GHA	0.000	0.026		*SWE*	0.000	0.614	0.362
GRC	0.000	0.543	0.382	*SWZ*	0.000		
HKG	0.000	2.206	2.840	*THA*	0.000	1.358	0.785
HRV	0.000	0.100	0.071	*TTO*	0.000		
HUN	0.000	0.133	0.144	*TUN*	0.000		
IDN	0.000	1.110	0.548	*TUR*	0.000	0.734	0.636
IND	0.005	3.490	4.556	*UKR*	0.000	0.150	
IRL	0.000	1.176	0.759	*USA*	94.618	17.706	17.656
ISL	0.000			*VEN*	0.000		
ISR	0.000			*VNM*	0.000	0.050	
ITA	0.018	1.775	0.924	*ZAF*	0.000	1.410	2.448
JOR	0.000	0.048	0.033	*ZAR*	0.000		
JPN	4.770	14.525	13.649	*ZMB*	0.000	0.010	
KAZ	0.000	0.101		*ZWE*	0.000	0.013	0.029
KEN	0.000	0.054	0.131				
Mean	1.010	1.250	1.754				

Notes: The list includes all countries that are used in the conditional logit models (see table 4 for model specifications). (0-100%)

Table 6: Nested Logit Marginal Probabilities

Country	Model (1)	Model (2)	Model (3)	*Country*	Model (1)	Model (2)	Model (3)
ARE	0.520			*KOR*	4.697	5.086	4.931
ARG	0.208	0.199	0.298	*KWT*	0.264		
ATG	0.004			*LBN*	0.145		
AUS	3.903	3.702	4.708	*LKA*	0.091	0.134	0.291
AUT	0.589	0.473	0.779	*LTU*	0.050	0.080	0.026
BEL	0.488	0.529	0.449	*LUX*	0.056	0.073	0.039
BGD	0.563	0.475	0.196	*LVA*	0.052	0.083	0.052
BGR	0.039	0.036		*MAC*	0.082	0.099	
BHR	0.077	0.090		*MAR*	0.258	0.270	0.336
BHS	0.071	0.058		*MDA*	0.005		
BMU	0.004			*MEX*	0.958	0.990	1.064
BOL	0.005	0.003		*MLT*	0.013	0.030	
BRA	1.040	1.073	0.826	*MUS*	0.014	0.013	
BRB	0.009			*MYS*	0.620	0.693	1.368
BWA	0.093			*NAM*	0.004	0.005	
CAN	3.803	4.551	4.008	*NLD*	1.371	1.290	1.396
CHE	3.111	2.470	2.321	*NOR*	1.172	1.122	
CHL	0.408	0.513	0.687	*NZL*	0.731	0.798	1.055
CHN	5.065	5.019	5.065	*OMN*	0.183		
CIV	0.003	0.000		*PAK*	0.437	0.471	0.336
COL	0.076	0.078		*PAN*	0.019	0.020	
CRI	0.032	0.033		*PER*	0.127	0.165	0.314
CYP	0.077	0.074		*PHL*	0.525	0.687	1.019
CZE	0.226	0.271	0.149	*PNG*	0.005		
DEU	3.505	3.290	3.286	*POL*	0.436	0.471	0.500
DNK	1.291	1.175	0.341	*PRT*	0.532	0.643	0.757
DOM	0.043	0.043		*PRY*	0.016	0.006	
ECU	0.104	0.104		*QAT*	0.191		
EGY	0.243	0.170		*ROM*	0.024	0.017	0.061
ESP	2.045	2.041	2.341	*RUS*	0.526	0.615	0.366
EST	0.038	0.062	0.015	*SAU*	1.259	1.325	1.349
FIN	0.344	0.321	0.296	*SEN*	0.002		
FRA	2.135	2.226	2.030	*SGP*	0.820	0.895	0.978
GAB	0.041	0.098		*SVK*	0.127	0.171	0.118
GBR	7.149	7.924	7.047	*SVN*	0.079	0.075	0.133
GHA	0.015	0.010		*SWE*	0.616	0.578	
GRC	0.539	0.711	0.856	*SWZ*	0.001		
HKG	2.022	2.193	2.384	*THA*	1.225	1.100	1.447
HRV	0.112	0.151	0.043	*TTO*	0.068		
HUN	0.154	0.178	0.060	*TUN*	0.045		
IDN	1.044	1.232	1.141	*TUR*	0.504	0.563	0.662
IND	4.101	4.165	4.525	*UKR*	0.071	0.077	
IRL	1.211	1.178	1.573	*USA*	17.269	17.147	18.615
ISL	0.023			*VEN*	0.457		
ISR	0.717			*VNM*	0.034	0.009	
ITA	1.954	1.866	1.877	*ZAF*	1.610	1.727	1.661
JOR	0.024	0.030	0.063	*ZAR*	0.002		
JPN	13.684	14.411	14.581	*ZMB*	0.002	0.001	
KAZ	0.043	0.052		*ZWE*	0.008	0.004	0.026
KEN	0.061	0.044	0.007				
Mean	1.019	1.261	1.834				
High	3.126	3.796	4.319				
Middle −High	1.159	1.343	1.875				
Middle	0.282	0.393	0.461				
Middle −Low	0.250	0.280	0.626				
Low	0.611	0.777	1.401				

Notes: The list includes all countries that are used in the nested logit regression. (1-100%)

Table 7: Conditional Logit Marginal Effects

Country	A	B	C	*Country*	A	B	C
ARG	-0.007	-0.007	-0.003	*JPN*	-0.231	-0.229	-0.098
AUS	-0.072	-0.070	-0.022	*KAZ*	-0.002	-0.002	-0.001
AUT	-0.012	-0.011	-0.004	*KEN*	-0.001	-0.001	0.000
BEL	-0.012	-0.012	-0.004	*KOR*	-0.095	-0.093	-0.041
BGD	-0.005	-0.004	-0.002	*LKA*	-0.002	-0.002	-0.001
BGR	-0.001	-0.001	0.000	*LTU*	-0.001	-0.001	0.000
BHR	-0.001	-0.001	0.000	*LUX*	-0.003	-0.003	-0.001
BHS	-0.001	-0.001	0.000	*LVA*	-0.001	-0.001	0.000
BOL	0.000	0.000	0.000	*MAC*	-0.001	-0.001	-0.001
BRA	-0.026	-0.025	-0.011	*MAR*	-0.007	-0.006	-0.002
CAN	-0.083	-0.082	-0.026	*MEX*	-0.049	-0.048	-0.019
CHE	-0.041	-0.040	-0.015	*MLT*	0.000	0.000	0.000
CHL	-0.010	-0.010	-0.004	*MUS*	0.000	0.000	0.000
CHN	-0.060	-0.059	-0.022	*MYS*	-0.013	-0.013	-0.005
CIV	0.000	0.000	0.000	*NAM*	-0.001	-0.001	0.000
COL	-0.003	-0.003	-0.001	*NLD*	-0.022	-0.022	-0.013
CRI	-0.001	-0.001	0.000	*NOR*	-0.023	-0.022	-0.007
CYP	-0.001	-0.001	0.000	*NZL*	-0.019	-0.018	-0.005
CZE	-0.004	-0.004	-0.001	*PAK*	-0.005	-0.005	-0.002
DEU	-0.066	-0.064	-0.028	*PAN*	-0.001	-0.001	0.000
DNK	-0.037	-0.036	-0.009	*PER*	-0.005	-0.004	-0.002
DOM	-0.001	-0.001	-0.001	*PHL*	-0.007	-0.007	-0.002
ECU	-0.003	-0.003	-0.001	*POL*	-0.011	-0.011	-0.004
EGY	-0.003	-0.003	-0.001	*PRT*	-0.011	-0.010	-0.004
ESP	-0.036	-0.035	-0.015	*PRY*	-0.001	-0.001	0.000
EST	0.000	0.000	0.000	*ROM*	-0.001	-0.001	0.000
FIN	-0.009	-0.009	-0.003	*RUS*	-0.026	-0.025	-0.008
FRA	-0.035	-0.034	-0.012	*SAU*	-0.028	-0.028	-0.009
GAB	0.000	0.000	0.000	*SGP*	-0.014	-0.013	-0.005
GBR	-0.120	-0.118	-0.042	*SVK*	-0.002	-0.002	-0.001
GHA	-0.001	0.000	0.000	*SVN*	-0.001	-0.001	0.000
GRC	-0.010	-0.010	-0.004	*SWE*	-0.013	-0.012	-0.005
HKG	-0.038	-0.037	-0.015	*THA*	-0.024	-0.023	-0.009
HRV	-0.002	-0.002	-0.001	*TUR*	-0.015	-0.014	-0.005
HUN	-0.003	-0.003	-0.001	*UKR*	-0.003	-0.003	-0.001
IDN	-0.021	-0.020	-0.007	*USA*	-0.306	-0.304	-0.096
IND	-0.059	-0.058	-0.025	*VNM*	-0.001	-0.001	0.000
IRL	-0.024	-0.023	-0.007	*ZAF*	-0.027	-0.026	-0.010
ITA	-0.036	-0.035	-0.014	*ZMB*	0.000	0.000	0.000
JOR	-0.001	-0.001	0.000	*ZWE*	0.000	0.000	0.000
mean	-0.023	-0.010					

Notes: The list includes all countries that are used in the conditional logit model (see table 4 for model specification). Column A: Marginal effect of a one percentage point increase in the average labor income tax rate. Column B: Marginal effect of a one percentage point increase in the tax system's degree of progressivity. Column C: Marginal effect of a one percentage point increase in the corporate tax rate.

Table 8: Nested Logit Marginal Effects

Country	A	B	C	*Country*	A	B	C	
ARG	-0.048	-0.002	-0.001		*JPN*	-3.008	-0.105	-0.055
AUS	-0.869	-0.030	-0.016		*KAZ*	-0.013	0.000	0.000
AUT	-0.115	-0.004	-0.002		*KEN*	-0.011	0.000	0.000
BEL	-0.128	-0.004	-0.002		*KOR*	-1.177	-0.041	-0.022
BGD	-0.115	-0.004	-0.002		*LKA*	-0.033	-0.001	-0.001
BGR	-0.009	0.000	0.000		*LTU*	-0.019	-0.001	0.000
BHR	-0.022	-0.001	0.000		*LUX*	-0.018	-0.001	0.000
BHS	-0.014	0.000	0.000		*LVA*	-0.020	-0.001	0.000
BOL	-0.001	0.000	0.000		*MAC*	-0.024	-0.001	0.000
BRA	-0.259	-0.009	-0.005		*MAR*	-0.066	-0.002	-0.001
CAN	-1.059	-0.037	-0.019		*MEX*	-0.239	-0.008	-0.004
CHE	-0.587	-0.021	-0.011		*MLT*	-0.007	0.000	0.000
CHL	-0.124	-0.004	-0.002		*MUS*	-0.003	0.000	0.000
CHN	-1.162	-0.041	-0.021		*MYS*	-0.168	-0.006	-0.003
CIV	0.000	0.000	0.000		*NAM*	-0.001	0.000	0.000
COL	-0.019	-0.001	0.000		*NLD*	-0.311	-0.011	-0.006
CRI	-0.008	0.000	0.000		*NOR*	-0.270	-0.009	-0.005
CYP	-0.018	-0.001	0.000		*NZL*	-0.193	-0.007	-0.004
CZE	-0.066	-0.002	-0.001		*PAK*	-0.114	-0.004	-0.002
DEU	-0.776	-0.027	-0.014		*PAN*	-0.005	0.000	0.000
DNK	-0.283	-0.010	-0.005		*PER*	-0.040	-0.001	-0.001
DOM	-0.011	0.000	0.000		*PHL*	-0.166	-0.006	-0.003
ECU	-0.025	-0.001	0.000		*POL*	-0.114	-0.004	-0.002
EGY	-0.041	-0.001	-0.001		*PRT*	-0.156	-0.005	-0.003
ESP	-0.488	-0.017	-0.009		*PRY*	-0.001	0.000	0.000
EST	-0.015	-0.001	0.000		*ROM*	-0.004	0.000	0.000
FIN	-0.078	-0.003	-0.001		*RUS*	-0.149	-0.005	-0.003
FRA	-0.531	-0.019	-0.010		*SAU*	-0.319	-0.011	-0.006
GAB	-0.024	-0.001	0.000		*SGP*	-0.216	-0.008	-0.004
GBR	-1.779	-0.062	-0.033		*SVK*	-0.042	-0.001	-0.001
GHA	-0.002	0.000	0.000		*SVN*	-0.018	-0.001	0.000
GRC	-0.172	-0.006	-0.003		*SWE*	-0.140	-0.005	-0.003
HKG	-0.523	-0.018	-0.010		*THA*	-0.265	-0.009	-0.005
HRV	-0.037	-0.001	-0.001		*TUR*	-0.136	-0.005	-0.002
HUN	-0.043	-0.002	-0.001		*UKR*	-0.019	-0.001	0.000
IDN	-0.297	-0.010	-0.005		*USA*	-3.464	-0.121	-0.063
IND	-0.973	-0.034	-0.018		*VNM*	-0.002	0.000	0.000
IRL	-0.284	-0.010	-0.005		*ZAF*	-0.414	-0.014	-0.008
ITA	-0.446	-0.016	-0.008		*ZMB*	0.000	0.000	0.000
JOR	-0.007	0.000	0.000		*ZWE*	-0.001	0.000	0.000
Mean	-0.285	-0.010	-0.005					
High	-0.826	-0.029	-0.015					
Middle $-$ *High*	-0.318	-0.011	-0.006					
Middle	-0.095	-0.003	-0.002					
Middle $-$ *Low*	-0.068	-0.002	-0.001					
Low	-0.183	-0.006	-0.003					

Notes: The list includes all countries that are used in the conditional logit model (see table 4 for model specification). Column A: Marginal effect of a one percentage point increase in the average labor income tax rate. Column B: Marginal effect of a one percentage point increase in the tax system's degree of progressivity. Column C: Marginal effect of a one percentage point increase in the corporate tax rate.

Table 9: Conditional Logit Marginal Effects - Standard Deviations: Model 2

Country	A	B	C	*Country*	A	B	C
ARG	-0.003	-0.003	-0.003	*JPN*	-0.101	-0.125	-0.128
AUS	-0.023	-0.028	-0.028	*KAZ*	-0.001	-0.001	-0.001
AUT	-0.004	-0.005	-0.005	*KEN*	0.000	0.000	0.000
BEL	-0.004	-0.005	-0.005	*KOR*	-0.042	-0.043	-0.044
BGD	-0.002	-0.002	-0.002	*LKA*	-0.001	-0.001	-0.001
BGR	0.000	0.000	0.000	*LTU*	0.000	0.000	0.000
BHR	0.000	0.000	0.000	*LUX*	-0.001	-0.001	-0.001
BHS	0.000	0.000	0.000	*LVA*	0.000	0.000	0.000
BOL	0.000	0.000	0.000	*MAC*	-0.001	-0.001	-0.001
BRA	-0.011	-0.013	-0.013	*MAR*	-0.002	-0.003	-0.003
CAN	-0.027	-0.036	-0.037	*MEX*	-0.019	-0.022	-0.022
CHE	-0.015	-0.016	-0.016	*MLT*	0.000	0.000	0.000
CHL	-0.004	-0.004	-0.004	*MUS*	0.000	0.000	0.000
CHN	-0.022	-0.029	-0.029	*MYS*	-0.005	-0.006	-0.006
CIV	0.000	0.000	0.000	*NAM*	0.000	0.000	0.000
COL	-0.001	-0.001	-0.001	*NLD*	-0.014	-0.010	-0.011
CRI	0.000	-0.001	-0.001	*NOR*	-0.007	-0.009	-0.009
CYP	0.000	0.000	0.000	*NZL*	-0.005	-0.007	-0.007
CZE	-0.001	-0.002	-0.002	*PAK*	-0.002	-0.003	-0.003
DEU	-0.029	-0.030	-0.030	*PAN*	0.000	0.000	0.000
DNK	-0.009	-0.012	-0.012	*PER*	-0.002	-0.002	-0.002
DOM	-0.001	-0.001	-0.001	*PHL*	-0.002	-0.003	-0.003
ECU	-0.001	-0.001	-0.001	*POL*	-0.004	-0.004	-0.004
EGY	-0.001	-0.001	-0.001	*PRT*	-0.004	-0.004	-0.005
ESP	-0.015	-0.016	-0.017	*PRY*	0.000	0.000	0.000
EST	0.000	0.000	0.000	*ROM*	0.000	0.000	0.000
FIN	-0.003	-0.003	-0.003	*RUS*	-0.008	-0.010	-0.011
FRA	-0.012	-0.016	-0.016	*SAU*	-0.010	-0.012	-0.012
GAB	0.000	0.000	0.000	*SGP*	-0.005	-0.006	-0.006
GBR	-0.043	-0.049	-0.050	*SVK*	-0.001	-0.001	-0.001
GHA	0.000	0.000	0.000	*SVN*	0.000	-0.001	-0.001
GRC	-0.004	-0.004	-0.004	*SWE*	-0.005	-0.005	-0.005
HKG	-0.016	-0.015	-0.016	*THA*	-0.009	-0.011	-0.012
HRV	-0.001	-0.001	-0.001	*TUR*	-0.005	-0.006	-0.006
HUN	-0.001	-0.001	-0.001	*UKR*	-0.001	-0.001	-0.001
IDN	-0.007	-0.009	-0.009	*USA*	-0.098	-0.142	-0.147
IND	-0.025	-0.030	-0.031	*VNM*	0.000	0.000	0.000
IRL	-0.007	-0.008	-0.008	*ZAF*	-0.011	-0.012	-0.012
ITA	-0.014	-0.016	-0.016	*ZMB*	0.000	0.000	0.000
JOR	0.000	0.000	0.000	*ZWE*	0.000	0.000	0.000
Mean	-0.022	-0.008	-0.010				

Notes: The list includes all countries that are used in the conditional logit model (see Table 4 for model specification). Column A: Marginal effect of an increase by one standard deviation in the average labor income tax rate. Column B: Marginal effect of an increase by one standard deviation in the tax system's degree of progressivity. Column C: Marginal effect of an increase by one standard deviation in the corporate tax rate. See Table 1 for standard deviations.

Table 10: Nested Logit Marginal Effects - Standard Deviations: Income Nested

Country	A	B	C	*Country*	A	B	C
ARG	-1.988	-0.005	-0.003	*JPN*	-16.241	-0.768	-0.325
AUS	-4.694	-0.222	-0.094	*KAZ*	-0.524	-0.001	-0.001
AUT	-0.620	-0.029	-0.012	*KEN*	-0.050	-0.002	0.000
BEL	-0.693	-0.033	-0.014	*KOR*	-7.180	-0.296	-0.151
BGD	-0.530	-0.020	-0.005	*LKA*	-0.150	-0.006	-0.001
BGR	-0.363	-0.001	-0.001	*LTU*	-0.082	-0.004	-0.001
BHR	-0.133	-0.006	-0.003	*LUX*	-0.096	-0.005	-0.002
BHS	-0.086	-0.004	-0.002	*LVA*	-0.085	-0.004	-0.002
BOL	-0.003	0.000	0.000	*MAC*	-0.146	-0.006	-0.003
BRA	-10.614	-0.029	-0.015	*MAR*	-2.689	-0.007	-0.004
CAN	-5.720	-0.270	-0.114	*MEX*	-1.004	-0.046	-0.018
CHE	-3.172	-0.150	-0.063	*MLT*	-0.031	-0.001	-0.001
CHL	-0.522	-0.024	-0.009	*MUS*	-0.133	0.000	0.000
CHN	-5.347	-0.199	-0.053	*MYS*	-0.704	-0.032	-0.013
CIV	0.000	0.000	0.000	*NAM*	-0.048	0.000	0.000
COL	-0.778	-0.002	-0.001	*NLD*	-1.677	-0.079	-0.034
CRI	-0.332	-0.001	0.000	*NOR*	-1.461	-0.069	-0.029
CYP	-0.110	-0.005	-0.002	*NZL*	-1.177	-0.049	-0.025
CZE	-0.277	-0.013	-0.005	*PAK*	-0.525	-0.020	-0.005
DEU	-4.732	-0.195	-0.099	*PAN*	-0.197	-0.001	0.000
DNK	-1.529	-0.072	-0.031	*PER*	-1.646	-0.004	-0.002
DOM	-0.431	-0.001	-0.001	*PHL*	-0.766	-0.029	-0.008
ECU	-1.043	-0.003	-0.001	*POL*	-0.480	-0.022	-0.009
EGY	-0.190	-0.007	-0.002	*PRT*	-0.950	-0.039	-0.020
ESP	-2.975	-0.123	-0.062	*PRY*	-0.007	0.000	0.000
EST	-0.064	-0.003	-0.001	*ROM*	-0.171	0.000	0.000
FIN	-0.422	-0.020	-0.008	*RUS*	-0.626	-0.029	-0.011
FRA	-3.237	-0.134	-0.068	*SAU*	-1.339	-0.061	-0.024
GAB	-0.100	-0.005	-0.002	*SGP*	-1.320	-0.054	-0.028
GBR	-9.607	-0.454	-0.192	*SVK*	-0.175	-0.008	-0.003
GHA	-0.011	0.000	0.000	*SVN*	-0.111	-0.005	-0.002
GRC	-1.049	-0.043	-0.022	*SWE*	-0.756	-0.036	-0.015
HKG	-3.190	-0.132	-0.067	*THA*	-10.872	-0.030	-0.015
HRV	-0.154	-0.007	-0.003	*TUR*	-0.573	-0.026	-0.010
HUN	-0.182	-0.008	-0.003	*UKR*	-0.769	-0.002	-0.001
IDN	-1.365	-0.051	-0.014	*USA*	-18.707	-0.884	-0.374
IND	-4.477	-0.167	-0.045	*VNM*	-0.010	0.000	0.000
IRL	-1.533	-0.072	-0.031	*ZAF*	-16.970	-0.046	-0.023
ITA	-2.723	-0.112	-0.057	*ZMB*	-0.001	0.000	0.000
JOR	-0.300	-0.001	0.000	*ZWE*	-0.004	0.000	0.000
Mean	-2.072	-0.066	-0.028				
High	-4.462	-0.211	-0.089				
Middle − High	-1.941	-0.080	-0.041				
Middle	-0.400	-0.018	-0.007				
Middle − Low	-2.771	-0.008	-0.004				
Low	-0.840	-0.031	-0.008				

Notes: The list includes all countries that are used in the nested logit models. Column A: Marginal effect of an increase by one standard deviation in the average labor income tax rate. Column B: Marginal effect of an increase by one standard deviation in the tax system's degree of progressivity. Column C: Marginal effect of an increase by one standard deviation in the corporate tax rate. See Table 2 for the nest-specific standard deviations.