The Market for Tax Havens*

Sébastien Laffitte†

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Abstract

This paper studies the economic consequences of tax havens. Using a novel dataset tracking offshore legal reforms in 48 tax havens, I first document the emergence of a global market for tax haven services, shaped by demand and supply shocks, and technological innovations. I then show that becoming a tax haven significantly boosts a country's GDP per capita. This growth comes at a global cost: non-haven countries adjust by shifting the burden of taxation from (mobile) capital to (immobile) labor. The rise of tax havens accounts for 14% of the observed increase in the differential taxation of labor relative to capital in the post-war period. I evaluate the trade-off between higher GDP in tax havens and higher labor taxation elsewhere, and find that under plausible distributional assumptions, tax havens reduce global welfare. The results highlight how regulatory competition over mobile capital reshapes tax systems worldwide, with implications for inequality and fiscal capacity.

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†THEMA, CYU Cergy Paris University and EU Tax Observatory, Email address: sebastien.laffitte@cyu.fr.

1 Introduction

Countries' economic development choices often generate cross-border spillovers. Such spillovers are particularly salient when governments engage in regulatory competition, strategically enacting regulatory standards to attract economic activity from abroad. In recent years, such unilateral policies have become increasingly prominent in several areas such as tax and subsidy policies (Juhász et al., 2025), environmental policy (Nordhaus, 2015) or trade policy (Clayton et al., 2025). What are the long-term consequences of these policies for development? Do they spill over to other countries?

The rise of tax havens in the 20th century provides a particularly valuable setting to study these questions. The emergence of tax havens is one of the most important economic phenomena of the 20th century globalization. These are small countries that offer opacity and low levels of taxation to individuals and corporations. While no tax havens existed in the 19th century, almost 50 have emerged since, ranging from small islands in the Caribbean, Indian and Pacific Oceans to wealthy city-states such as Singapore and Hong Kong and developed countries such as Ireland, Switzerland, and the Netherlands.

This paper examines the desirability of tax havens. A central cost of tax havens is the reduced tax revenues collected in non-haven countries on individuals (Alstadsæter et al., 2018), and firms (Tørsløv et al., 2023, Fuest et al., 2025). Because they facilitate tax evasion and tax avoidance, they also affect tax morale (Luttmer and Singhal, 2014), optimal tax policy (Piketty et al., 2014), and perceptions of tax policy (Stantcheva, 2021). Beyond these effects on public finance, they impact various socioeconomic outcomes such as income and wealth inequality, as well as elite rent capture.[1] In contrast, potential benefits may arise from increased investment and welfare gains through lower effective tax burdens (Desai et al., 2006, Hong and Smart, 2010, Hines, 2010). Despite an extensive literature, the question of whether tax havens are ultimately beneficial or harmful for global development remains unanswered. A key obstacle has been the lack of long-run variation in countries' tax haven status, which limits the ability to identify persistent effects on both tax havens and non-haven economies. Most empirical work has relied on short-run events or cross-sectional comparisons.

I address this gap by examining the emergence, evolution, and consequences of tax havens over the long run using a new dataset on tax havens' history and modern causal identification tools. I build on two main ideas. The first is that tax havens result from the building of an *offshore legal architecture*, i.e., legal, political

1. Tax havens affect inequalities and their measurement (Alstadsæter et al., 2019, Guyton et al., 2021), measurement of portfolio holdings (Coppola et al., 2021) and corporate control (Garcia-Bernardo et al., 2017, Fonseca et al., 2023). Additionally, elites use tax havens to capture revenues (Andersen et al., 2017; Andersen et al., 2022) or avoid sanctions (Kollewe, 2022), with detrimental consequences for perceptions of government and elites (Guriev et al., 2021). They also affect the measurement of macroeconomic aggregates (Zucman, 2013, Guvenen et al., 2022).

and economic institutions that allow them to provide offshore services. The concept of legal architecture is useful to illustrate that, beyond low tax rates, a country's enactment of a set of offshore regulations is a necessary condition for it to become a tax haven. An offshore legal architecture is composed of blocks, which I call *legal technologies*, that reflect tax havens' specialization. Legal technologies are a key input in the production function of offshore services: they are the legal tools, such as banking secrecy or tax-exempt trusts, that allow tax havens to supply these services in exchange for the payment of a low tax rate or a fee.[2] To become a tax haven, a country must introduce an offshore legal technology through a legal reform. Once a country becomes a tax haven, its legal architecture can be updated to attract more demand or to adapt to new regulations in non-haven countries.

Based on this idea, I collect data about reforms of the offshore legal architectures of 48 tax havens, identifying when these countries became tax havens (the *extensive margin* of offshore services supply) and when they updated their legal architecture (the *intensive margin* of supply). My primary sources are tax haven guidebooks written by tax lawyers. I complement these with a wealth of sources ranging from academic papers to advertising brochures from offshore service providers. This dataset is the first to provide a time-varying account of the emergence and evolution of tax havens while the literature generally relies on a constant tax haven indicator variable (Slemrod, 2008, Dharmapala and Hines, 2009). I supplement it with two datasets. First, I use the Offshore Leaks, an individual-level database that provides geographical information on the users and the location of more than 800,000 offshore entities, since the mid-20th century. This unique database allows to follow, over time, offshore activity in tax havens and in non-haven countries. Second, I collect country-by-country panel information about the price of offshore services from an offshore service provider.

The second main idea is that tax havens can be studied through the lens of market forces. They are the key suppliers in the market for offshore services. On the other side of this market, demand for offshore services comes from tax evaders in non-haven countries who seek low tax rates, advantageous regulations, and secrecy. The market environment, such as supply, demand, and technological shocks therefore affect countries' incentives to enter this market by becoming tax havens. Based on this idea, I study the context of the emergence of tax havens, a necessary first step to understand their consequences.

Using these new databases, I document four new facts about the development of tax havens. First, I show their development during the 20th century along different margins. Tax havens developed in the first part of the 20th century in Europe and Americas as large countries of these continents were introducing modern in-

2. It is often assumed that provision of secrecy is not accompanied by tax revenue collection. However, users of offshore entities generally pay fees. Registering a trust in the Cayman Islands, for example, costs $500 at registration and $500 in annual fees. Hence, the offshore sector accounted for 33% of the Caymans' tax revenues in 2020 (Government of the Cayman Islands, 2021).

come taxation. This development pattern suggests a demand-based channel to the emergence of tax havens. In the 1960s, a wave of decolonization in the British Empire also played an important role in the offshore world by pushing many small former colonies to specialize in the supply of offshore services.

Second, using the granularity of the new database about offshore legal technologies and information on the price of offshore services, I show that the tax haven market is both horizontally and vertically differentiated. This helps understanding the dynamic of competition between tax havens. Then, I leverage the Offshore Leaks data to show that offshore legal reforms in tax havens are associated with a sharp increase of the provision of offshore services. This shows the consistency of the new database using two independently collected databases. It also establishes the importance of changes in the legal structure for regulatory competition. Last, I estimate a gravity model on the use of offshore services to show that gravity variables, with geography in the first place, are strong determinants of the use of tax havens. This geographical variation will be central in the rest of the paper, where I use it as a source of differential exposure to tax havens, in order to study their consequences on other countries.

What are the consequences of the offshore strategy for development? I first show descriptively and with a generalized synthetic control method (Liu et al., 2022) that a country's becoming a tax haven positively impacts its GDP per capita. [3] The findings reveal growth gains of about 1 percentage points annually over 15 years for tax havens, resulting in a 16% long-term increase over the growth of their non-haven counterparts. Furthermore, I provide evidence that this result captures changes in the real economy as demonstrated by the transition of tax havens away from the agricultural sector. On the contrary, when faced with anti-tax-havens regulations from non-haven countries, targeted tax havens suffer GDP losses compared to counterparts. This translates into higher costs of using a country as a tax haven and therefore higher observed prices of offshore services.

Then, I explore the impact of the exposure of non-haven countries to tax havens. I build on the above result that tax haven exposure is a function of geographical distance and I create a shift-share variable where exposure of non-haven countries to new tax havens reforms (the "shifts") depends on a function of distance with the tax havens (the "shares"). Building on recent advances in the econometrics of shift-share designs (Borusyak et al., 2025), I show that this variable has convenient properties for econometric inference. Using the Offshore Leaks database, I confirm that the use of offshore services is positively correlated with exposure. While nearby offshore reforms are not strictly random events, the empirical framework treats them as conditionally exogenous to a particular country's own economic trajectory once a rich set of controls is included. These controls account for political

3. This approach speaks to a recent literature that uses synthetic control methods to estimate the causal impact of historical events on country-level GDP (e.g., Abadie et al., 2015, Funke et al., 2023).

conditions, proxies for the demand for offshore services, and regional economic and political conditions. The timing and location of offshore reforms in neighboring jurisdictions is then unlikely to be systematically correlated with unobserved determinants of the exposed country's outcomes.

I find that exposure to nearby tax havens, on average, does not significantly affect GDP and factor shares in non-haven countries. However, it durably affects their tax structure. Countries exposed to tax havens face constraints on the taxation of capital and therefore shift the burden of taxation from capital to labor, with important implications for economic inequalities. The development of tax havens explains 11% of the increase in the gap in the effective tax rate of capital versus labor. The tax revenue losses from the use of tax havens by mobile agents are partly compensated by increases in the taxation of less-mobile agents, such that total tax revenues remain unchanged. Overall, tax havens can be seen as a subsidy to mobile agents, financed by a tax on immobile agents.

To make sense of the global implications of these results, I build a simple welfare accounting framework where I introduce welfare weights on capital income and labor income to account for the redistributive preferences of a global social planner. For tax havens to be welfare-enhancing, the welfare weight assigned to labor by the global planner must fall below a neutrality threshold. I compute this neutrality threshold, using the empirical estimates of the previous sections. I find that under plausible distributive assumptions, this condition is not met, and the rise of tax havens is welfare-reducing at the world level.

This paper contributes to several strands of research. First, it is related to the public finance literature studying the role of tax havens in the global economy. A key contribution is the construction of a novel dataset of offshore legal architecture reforms in tax havens. It allows to follow systematically the tax haven status of many countries across time and across several legal technologies, enabling the use of modern causal inference methods. This data is associated to two data sources which use is new or original. This paper contributes to the scarce literature that uses and analyzes micro-level data from leaked data (Omartian, 2017, Alstadsaeter et al., 2025). [4] The paper also uses an original database tracking the country-by-country evolution of offshore prices to discuss the offshore market.

Using these datasets, I am able to study in depth the development of tax havens in the long-run, complementary to theoretical papers that discuss the causes of tax havens (Kanbur and Keen, 1993, Hansen and Kessler, 2001, Slemrod and Wilson, 2009). The paper is also related to Dharmapala and Hines (2009), which studies the determinants of tax havens, highlighting the links between governance and tax haven status using cross-sectional data. My paper differs from theirs in that it emphasizes the role of market forces in tax havens' adoption of offshore architecture.

4. In addition, leaks from tax havens have been used by Alstadsæter et al. (2019), Bomare and Le Guern Herry (2022), Brounstein (2021), Johannesen et al. (2022) and Londoño-Vélez and Avila-Mahecha (2024) for matching with administrative wealth records.

In this paper, the demand for tax havens is identified by the geographic variation in offshore policies, emphasizing the importance of gravity links between high-tax countries and tax havens. This is related to a recent strand of research highlighting the role of distance as a determinant of offshore use (Hines, 2010, Leenders et al., 2023, Ferrari et al., 2024).

This new dataset also allows me to provide new historical evidence on the emergence of tax havens in the 20th century, thereby contributing to the global history of offshore policies (Ogle, 2017, 2020).[5] I also discuss quantitatively the role of decolonization on tax havens, contributing to the broader literature about public finance in the colonial setting (Frankema and Waijenburg, 2014, Cogneau et al., 2018, Xu, 2019).

In addition, this paper participates to the understanding of the consequences of globalization for public finance and global welfare. My results demonstrate that exposure to tax havens has long-term consequences for non-havens' tax structure. This finding complements the papers studying the role of globalization and tax competition on countries' tax structure (Antràs et al., 2017, Egger et al., 2019, Bachas et al., 2022, Ferey et al., 2023, Thunecke, 2023, Bilicka et al., 2023). From the tax havens' point of view, I show causal evidence of how some countries took advantage of globalization and beggar-thy-neighbor policies to grow. This effect is in line with the results of Hines (2005, 2010), whose evidence suggests a positive impact of a country's being a tax haven on its GDP. In contrast, Miethe (2020) finds no direct link between financial activity and local activity in tax havens, but he does not use shocks to tax havens' financial activity to establish this result. Importantly, thanks to the new data and new empirical methods, this paper is able to conclude on the question of the desirability of tax havens while previous answers to this key question have mostly been theoretical (Slemrod and Wilson, 2009, Hong and Smart, 2010), or descriptive (Hines, 2010).

Finally, my paper contributes to the broader literature about the links between institutions, taxation and development in the context of regulatory competition (Schumpeter, 1954, Besley and Persson, 2011, Martin and Prasad, 2014). In this vein, it is part of the literature that underscores the pivotal role of legal institutions in shaping economic outcomes (La Porta et al., 2008, Pistor, 2019) by insisting on the role of the offshore legal architecture for understanding tax havens' dynamic. This paper not only demonstrates the impact of tax institutions on domestic development but also sheds light on the cross-border spillovers of a country's legal institutions under globalization (Aidt et al., 2021). These findings permit a better understanding of regulatory competition. Notably, the concept of legal architecture and its examination through the lens of market forces could be applied to di-

5. It complements the approaches followed by historical and political science scholars, see for instance Palan et al. (2009), Ogle (2017, 2020), Hollis and McKenna (2019), and Farquet (2021) for global approaches, Guex (2021) on Switzerland, Rawlings (2004) on Vanuatu and van Beurden and Jonker (2021) on Curaçao.

verse forms of regulatory competition such as the competition for capital (Keen and Konrad, 2013), for environmental regulations (Copeland, 2008) or subsidy competition (Ferrari and Ossa, 2023, Slattery, 2024).

In the rest of the paper, I first provide institutional details and describes the construction of the data in Section 2. Section 3 presents four new facts about the development of tax havens and their determinants. In Section 4, I study the impact of becoming a tax haven on a country's development. Section 5 studies the consequences of exposure to tax havens on macroeconomic outcomes in non-haven countries. Section 6 discusses the policy implications of the results and concludes.

2 Data

This paper draws on multiple sources to build a comprehensive picture of the global offshore market. To analyze the development and functioning of tax havens, I combine novel information on offshore legal reforms, offshore activity, and offshore service prices. I begin by introducing the main dataset (the *History of Tax Havens Database*) which documents the evolution of offshore legal frameworks across tax havens throughout the 20th century. Next, I describe the data sources used to measure offshore activity both in tax havens and non-haven countries. I also introduce a new panel dataset on the prices of offshore services, which sheds light on market structure and differentiation. The section concludes with a description of auxiliary data, including historical variables, geographical information, and macroeconomic indicators, which are used to contextualize the emergence of tax havens and study their broader consequences.

Legal architecture of tax havens: context and assumptions The existence of specific laws is necessary for tax haven activity in a territory, as they provide stability and predictability to the users of offshore services. I build a new dataset that tracks the construction of this offshore legal architecture in current tax havens. A country-by-country description of how I construct the dataset is provided in the online data documentation. I use both qualitative and quantitative information to understand how countries become tax havens. The new dataset is the result of a careful analysis and classification of the offshore legal environment of tax havens.

My data collection addresses the lack of quantitative and time-varying measures of tax haven activity. There are at least four reasons for this lack. First, tax havens operate secretly and do not disclose essential information on their activities as offshore centers. Second, many tax havens are small countries with small statistical offices or territories that depend on other jurisdictions. Third, comparability across different sources and over a long period is limited. Fourth, until now, researchers have mainly focused on tax haven's tax rates. These rates are often tailored to specific offshore structures and generally differ from the statutory tax rate (except when this rate is 0% for any activity). Archival information on these

rates or on the fees collected for offshore incorporation is difficult to collect and harmonize for the reasons cited above.

I define the offshore legal architecture of a tax haven as the set of laws enabling it to supply offshore services. [6] Low or zero tax rates on specific income types are a necessary condition, although not sufficient, for a country to become a tax haven. Importantly, an offshore legal architecture also provides tools to ensure secrecy, flexibility, and disconnection between wealth owners and their assets. Without it, individuals cannot safely exploit a country's tax haven features without their evasion being detected by her origin country.

For example, Switzerland's 1934 banking secrecy law, which is central to its offshore architecture, was partly a response to French investigations into tax evasion and subsequent political pressures (Guex, 2000). [7] Tax havens' legal frameworks are deliberately designed to circumvent regulation in high-tax jurisdictions (Harrington, 2016). This approach builds on the idea that legal systems are key determinants of economic outcomes (see Pistor, 2013, Deakin et al., 2017, or La Porta et al., 2008). My new dataset traces the development of this architecture and the rise of tax havens.

Tax havens can use many legal technologies to build their legal architecture. For instance, one of the most prominent examples are international business companies (IBCs). IBCs can have only one founder, shareholder, and director, who can be the same person, and require no annual meetings. They are tax-free and require limited reporting and disclosure (e.g., financial statements are not necessary, and incorporation documents do not include the identity of the company's ultimate owners). The only condition for registering an IBC is that it cannot have any domestic activity. Banking secrecy, trusts, exempt corporations, and holdings are other examples of offshore legal technologies.

Legal technologies are introduced through reforms of the offshore architecture of tax havens. Many different types of such reforms are available to tax havens, and the menu of reforms implemented determines a haven's offshore specialization. Table 1 summarizes the different types of laws that I record. I classify them into five broad categories that follow their different possible uses. There are the legal technologies, such as trusts, that are used to directly circumvent personal taxation ("Personal"). Other types of technologies target firms to allow them to avoid corporate taxation ("Corporate"). However, in a world where a large share of income consists of business income or capital income, the frontier between personal and corporate taxation is porous and opens up opportunities for optimization and evasion (Alstadsæter and Jacob, 2016, Smith et al., 2019, Love, 2021). Some technologies widely implemented by tax havens are classified as "Dual", as they are

6. See Ogle (2017) for the origin of the expression in the context of tax havens.

7. The example of New Caledonia also illustrates the importance of the legal architecture. Despite having no income tax, New Caledonia never developed offshore legal technologies due to France's reluctance, and thus never functioned as a tax haven (Rawlings, 2004).

equally used to circumvent corporate and personal taxation. This is, for instance, the case of IBCs, which are tax-exempt companies with limited administrative requirements and high secrecy. For offshore strategies to work efficiently, the tax

Table 1 – Types of legal technologies

Category	Legal Technology	Description	Examples
Individual 38 reforms	- Trust laws (⋆)	Legal disconnection between asset use and ownership	*Turks and Caicos Islands' Trust Ordinance 1990*
	- Other (⋆)	Tax abolition, for example	*Monaco's abolition of personal income taxes 1869*
Corporate 37 reforms	- MNE	Attraction of MNE activities and profits	*Ireland's Export Profits Tax Relief 1956*
	- Holding	Special regimes for holding companies	*Luxembourg's Loi sur le régime fiscal des sociétés de participations financières (holding companies) 1929*
	- Offshore insurance and captives	Self-insurance allowing revenue transfers to tax havens	*Barbados's Exempt Insurance Act 1983*
	- Flag of convenience	Limited regulations and tax rates for ships registered in an offshore maritime registry	*Panama's Law/63 on Foreign Ship Registration*
Dual 65 reforms	- IBC	Tax-neutral companies with no domestic activities and limited legal requirements	*British Virgin Islands' International Business Companies Act 1984*
	- Other exempt companies	Similar as IBC	*Jersey's Corporation Tax Law 1940*
Banking 38 reforms	- Offshore banking (⋆)	Unregulated banks with limited taxation and legal requirements	*Anguilla's Banking Ordinance 1991*
	- Bank secrecy (⋆)	Protects account holders from investigations	*Switzerland's Banking Act 1934*
Other 16 reforms	- Aggressive tax treaties (⋆)	Limitation of bilateral taxation, allowing conduit entities to benefit from treaties	*Netherlands Antilles's tax treaty with the Netherlands (Belastingregeling Koninkrinjk) 1964*
	- Specific regulations (⋆)	Country-specific rules not classified elsewhere	*Bahamas's Hawksbill Creek Agreement 1955*

Note: This table classifies reforms by legal technology and broad category. The number displayed after the category name counts the number of reforms adopted in each category at the end of the sample period in 2000. The total exceeds the number of reforms recorded in the database as some reforms belong to several categories. Legal technologies highlighted with the symbol (⋆) are grouped together within a broad category to form a subcategory.

avoider must maintain secrecy and hold her offshore revenues and wealth in a bank. Offshore banking, classified separately, is a key complement to other technologies: it enables firms and individuals to store offshore income while protecting secrecy. Finally, the "Other" category includes regulations that do not fall within the classic categories, illustrating the diversity of options available to countries to become tax havens.

In sum, my approach relies on the reforms implemented by tax havens to build and develop their offshore legal architecture. This is important because these non-price attributes are central to offshore competition. Although some price data are available, systematic collection remains challenging due to the sector's opacity. Therefore, this study primarily relies on legal architecture data, with price data used as a complement.

A potential downside of this approach is that not all offshore activity may be tied to identifiable legal reforms. This issue is especially relevant for countries

with a long and complex offshore history or for countries with federal systems, where offshore legislation can be enacted at subnational levels (see, for instance, the case of Switzerland, described in Guex, 2021). These represent only a very limited number of countries among tax havens. An advantage of my approach which can alleviate biases related to these cases, is that it relies on reports written by tax lawyers advising potential users of tax havens. This allows me to focus on reforms perceived as the most relevant by practitioners. In this sense, omitted laws are unlikely to matter for the actual construction of a haven's offshore structure.

Another potential limitation is that the enactment of a law does not guarantee uptake or effective supply of offshore services. Importantly, in next section's *Fact 3*, I provide evidence that new offshore reforms do increase the supply of tax havens services. In addition, as the purpose of this database is to record the construction of offshore institutions, every new reform reflects a country's intention to position itself as a tax haven and is thus relevant to document.

Legal architecture of tax havens: construction I collect new data on major reforms undertaken by tax havens to build their legal architecture. The dataset covers reforms that made countries tax havens (the extensive margin of offshore services supply) and subsequent reforms that updated their legal architecture (the intensive margin of supply). Countries may update their legal architecture to reinforce existing legal technologies or create new opportunities for offshore users by introducing new technologies. The dataset contains information about the date of these reforms, and the type of legal technology that is introduced.

The dataset includes 48 jurisdictions representing tax havens of different types and sizes worldwide. These countries today constitute the bulk of offshore services providers. They closely match those on tax haven lists used in the literature. Appendix Figure A.1 shows countries included as tax havens in this paper on a world map, and Appendix Table A.1 lists them. It also compares this list to eleven other lists aggregated by Palan et al. (2009) established by different institutions between 1977 and 2008. Except for Costa Rica, which is absent, the list in this paper covers all the tax havens mentioned in at least 4 of the 11 sources.[8] The data collection stops in 2000, which marks the end of the expansion of tax havens and the beginning of a phase of regulation in high-tax countries (Sharman, 2019).

The construction of the dataset relies on a wealth of information provided by tax havens guides. These include *Tax Havens and their uses* (Doggart, 1975), the *Guide Chambost des Paradis Fiscaux* (Chambost, 2000) and the *Guide Mondial des*

8. I started with the list of tax havens from Dharmapala and Hines (2009). I added the Netherlands and Malaysia, which are considered tax havens but are not included on their list. I did not include Belgium because of conflicting information on its role as a tax haven. Watteyne (2023) argues that Belgium's history as a tax haven ended after WWI. I did not include U.S. states such as New Jersey or Delaware, either. These states have mainly been considered local tax havens (see, for instance, Dyreng et al., 2013), though this might be changing.

Paradis Fiscaux (Beauchamp, 1992).[9] These books provide general information on tax havens, scrutinize their legal architecture and carefully describe their different possible uses.

For each country, I collect the key dates that the authors identify as important in the construction of the country's offshore legal architecture. I then compare these dates between the different sources to ensure that the identified dates are indeed perceived as significant. This alleviates potential bias that might arise from my relying on only one source and recovers complementary information about some regulations when the original text is insufficiently precise. To deal with these issues, I collect more information from external sources. As detailed in the online data documentation, more than 100 additional sources are used to systematically cross-check and confirm any date obtained in the main sources. Sometimes, they also reveal the existence of reforms not mentioned in the main sources and then complement the dataset with original information. These sources are other guides to tax havens (e.g. Starchild, 1994), academic papers on specific countries or regions (e.g. Fossen, 2002 on the Pacific tax havens), or books about tax havens (e.g. Palan et al., 2009). I also use information from various *Financial Secrecy Index* reports (Tax Justice Network, 2020). Finally, I use several documents written by offshore service providers to advise their clients or inform them of different offshore opportunities (e.g. the "Fact Sheets" of Trident Trust, one of the world's largest offshore providers).

Finally, I could not find reliable and precise information on the offshore legal architecture of two minor tax havens, San Marino and the Maldives.[10] The final dataset includes 48 tax havens for which I observe 141 reforms.

Figure 1 documents the cumulative number of offshore reforms over time, separating those that make countries tax havens from those that reinforce the offshore legal architecture of tax havens. Tax havens expanded all along the 20th century, with an acceleration in the post-WW2 period. Figure A.2 in appendix shows how these reforms separate between revisions of existing technologies and introduction of new legal technologies. This distinction illustrates a fundamental trade-off faced by suppliers in competitive markets: the choice between specialization for vertical competition and diversification for horizontal competition. The figure reveals a slightly higher frequency of reforms introducing new legal technologies, indicating that tax havens compete through both horizontal diversification and vertical specialization, as studied more precisely later.

9. These last two books are available in French only. André Beauchamp and Édouard Chambost are international tax lawyers specialized in the use of tax havens. Chambost wrote eight different editions of his book from 1977 to 2005, translated in 9 languages.

10. As shown in Appendix Table A.1, the Maldives appear on only three lists and San Marino on only one. Chambost (2000) devotes only two lines to San Marino and Beauchamp (1992) writes "if San Marino has an old reputation of tax haven, the republic has taken very few actions to justify it" (p.549, own translation). The Maldives are not covered in the main sources.

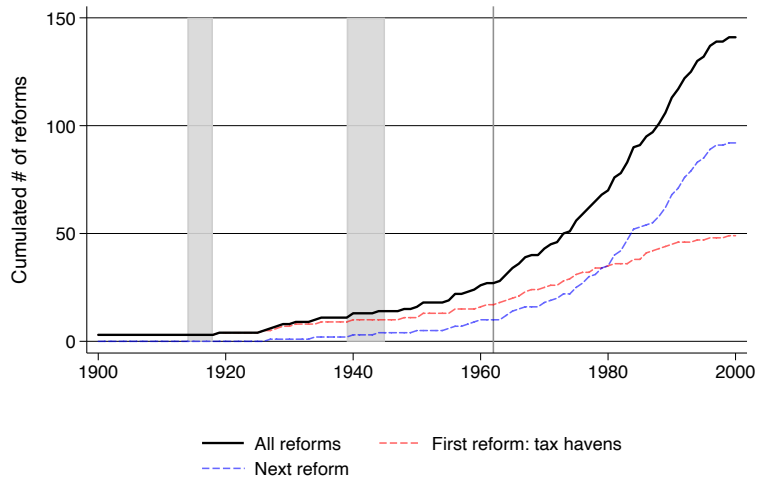


Figure 1 – Rise of tax havens in the 20th century: first and follow-on reforms

Note: This figure depicts the rise of tax havens in the 20th century. Data on tax havens' reforms come from own data collection (see section 2). Shaded areas indicate the world wars and the vertical line (1962) the beginning of the independence wave in the U.K.-dominated Caribbean area.

Offshore activity Data on the legal architecture of tax havens reveals their institutional features but not actual offshore activity. To observe offshore activity, I use micro-level data from several leaks compiled in the Offshore Leaks Database, released by the International Consortium of Investigative Journalists (ICIJ, 2022a, ICIJ, 2022b). It aggregates data from several leaks from tax-advising firms between 2013 and 2021 providing micro-level information on more than 810,000 entities opened in various tax havens with details on their owners, their opening date and geographical ties. Panel (a) of appendix Table A.3 provides information on the different leaks that are part of the database.

The Offshore Leaks database is not a random sample, but it offers the most comprehensive publicly available micro-level evidence on offshore activity to date. It captures a wide diversity of service providers, jurisdictions, and periods, covering independent leaks from both large law firms and smaller intermediaries. For instance, the Panama Papers (2016) originate from Mossack Fonseca, a large Panamanian law firm with global reach, while the Pandora Papers (2021) include leaks from 14 different offshore service providers.[11] The Paradise Papers include entities created by Appleby, which is considered as one of the most important offshore provider in the world. This diversity of sources reduces the risk of systematic selection bias linked to a single firm or jurisdiction.

The ICIJ provides data that links the offshore entities (with their country of registration and set-up date) with their officers, individuals or companies, that are linked with it (with information on their address and role). There can be several

11. Panel (b) of Table A.3 in Appendix shows the distribution of entities in the Pandora Papers by provider. It shows the diversity of providers in terms of number of records, year of creation (from 1961 to 2008), place of creation, and jurisdictions of operations.

officers for a single entity. The most common roles for officers are *shareholder* (39% of the links), *director* (27%), *secretary* (7%), *Ultimate Beneficial Owner* (3%). All these roles do not necessarily identify beneficial owners. I follow the list of roles associated to ultimate ownership provided by Chang et al. (2023) to identify them. I find an ultimate owner for 13% of entities. The geographical information comes from an extensive work from the ICIJ to link addresses to countries using computer programs and manual reviews. [12]

I use the micro-level data to build three aggregated datasets, summarized in Table 2. I denote by i the non-haven source country (where the offshore user is located), j the tax haven, k the data source, and t the year. First, I construct a bilateral dataset counting links between source countries i and tax havens j, keeping the data source dimension k to control for potential biases (e.g., some leaks might over-represent certain jurisdictions). This allows me to estimate a gravity equation of tax haven use. Because I count links, the dataset can exceed the total number of entities in the leaks, but incomplete information on country location reduces usable observations. Second, I aggregate the data by tax haven j and year t, counting unique entities, including those for which we do not observe ultimate ownership (since this information is only relevant at the j level). This panel allows me to track offshore activity within tax havens, especially around reforms. Third, I build a panel at the source country level, counting links in non-haven countries i at date t. This proxies offshore use in non-haven countries. Since this aggregation does not require bilateral location information, it yields more observations.

To assess the credibility of the data, I correlate the number of links from non-haven country i with tax haven j at date t with Bank for International Settlements (BIS) data on bilateral offshore deposits between 2003 and 2017. The BIS data are a standard benchmark for measuring cross-border offshore activity in contemporary periods (e.g., Johannesen and Zucman, 2014, Menkhoff and Miethe, 2019). The results in appendix Table A.4 show a strong and positive correlation between the two sources, lending credibility to the Offshore Leaks data and confirming its capacity to capture global patterns in offshore use. [13]

The price of offshore services I supplement the data on offshore legal reforms and offshore activity with a novel panel dataset of the price of offshore legal services. I collect information from `incorporations.io`, the website of a Singapore-based company specializing in offshore incorporation services. The website presents country-by-country comparisons in table format, offering advice on where to open entities depending on specific needs (e.g., "No Tax", "Wealth

12. This is described on the FAQ of the Offshore Leaks database provided by the ICIJ (https://offshoreleaks.icij.org/pages/faq). In 8.6% of the cases, a given officer is linked to more than one country. I drop cases where a given officer is linked to more than three countries (0.87% of the cases). Otherwise, I assign all the countries listed to the officer.

13. Alstadsæter et al. (2018) also find a positive correlation between their country-level estimates of offshore wealth and the ownership of shell companies in the Panama Papers.

Table 2 – Description of the Offshore Leaks data

	Bilateral (ijk)	Tax haven (jt)	Source country (it)
Data Source dimension (k)	Yes	No	No
# of observations	3797	5383	6248
# of tax havens (j)	39	39	–
# of source countries (i)	231	–	233
# of links	561803	742259	916764
# of links with ultimate ownership	53265	–	64113

Management", "Holding Company") and detailing characteristics of each jurisdiction (such as "Offshore Tax Rate"). For each country and type of entity, it lists a baseline incorporation price, typically the minimum cost excluding optional services like nominee directors or offshore bank accounts. When several prices are available for a country at a particular date, I select the lowest one. To build a panel since 2014, I use archived versions of these tables from `archive.org`, allowing me to track price changes across jurisdictions and over several years. Although the price data comes from a single provider, it is likely representative of market conditions, as prices are driven by incorporation fees. Moreover, to my knowledge, this is the only accessible source offering systematic and comparable price information on offshore company incorporation across multiple jurisdictions and over time. I obtain an unbalanced panel of price data for 30 tax havens. Country fixed effects explain 77% of the variation while time fixed effects explain 8% of the variation.

Additional data I complement the information on tax havens' legal architecture with data about each territory history as a sovereign state (independent, non independent and/or colony), about the date of introduction of six different modern taxes to measure the extensive margin of taxation (from the Tax Introduction Dataset, Seelkopf et al., 2021),[14] and tax structure since 1965 (total tax revenues, labor taxation, capital taxation) from Bachas et al. (2022). Macroeconomic data (GDP, GDP per capita) comes from the Global Macro Database (Müller et al., 2025) and gravity data from Gurevich and Herman (n.d.). Appendix A provides a list of all the additional data sources used in this paper.

3 Facts

In this section, I show four defining features of tax havens that set up the context for the causal analysis.

Fact 1. Tax havens emerged and expanded in response to demand and supply shocks. The number of tax havens expanded sharply over the 20th century, following distinct regional patterns that reflect both demand-side and

14. The authors distinguish modern from premodern taxes by the former's simple and broad tax bases, administrative complexity, and redistributive potential.

supply-side forces. Figure 2 breaks down the rise of tax havens by region. It highlights striking regional differences in their expansion, with two different periods delineating the global history of tax havens. Before the 1960s, Europe and the Americas dominated the market, hosting nearly all known tax havens. After the 1960s, a second wave emerged with new havens appearing in the Caribbean, Asia, and Oceania, largely coinciding with the end of colonial rule and the liberalization of global financial flows associated with the end of the Bretton-Woods system. Africa, by contrast, remained marginal throughout the 20th century.

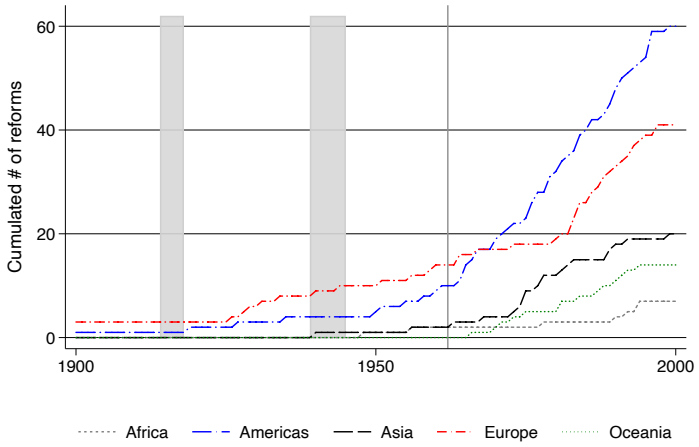


Figure 2 – Rise of tax havens in the 20th century: Decomposition by region

Note: This figure depicts the rise of tax havens in the 20th century at the regionnal level. Data on tax havens' reforms come from own data collection (see section 2). Shaded areas indicate the world wars and the vertical line (1962) the beginning of the independence wave in the U.K.-dominated Caribbean area.

This regional evolution has been driven by both shifts in tax policies worldwide, generating demand for tax havens services, and geopolitical changes that boosted the supply of such services.

As Figure 3 shows, the rise in modern taxation correlates with the first wave of tax havens in Europe and America (see Figure A.3 for Asia, Africa, and Oceania). In Europe, the first modern income taxes are introduced at the end of the 19th century, with an acceleration around World War I. While the number of offshore reforms in Europe is limited at first, it increases steadily during the interwar period, right after the massive introduction of income taxation in the continent. The dynamic is similar in the Americas, where we observe a correlative increase in tax introduction and offshore reforms from the beginning of the 20th century.

This pattern is consistent with a demand-driven mechanism: rising tax burdens created incentives for firms and individuals to seek offshore options. This trend was reinforced by the fact that personal income taxes were characterized by a high degree of progressivity, with top marginal tax rates often higher than 60% in the 1920s, while individuals at the top of the income distribution have a higher propensity to evade taxes (Alstadsæter et al., 2019, Leenders et al., 2023).

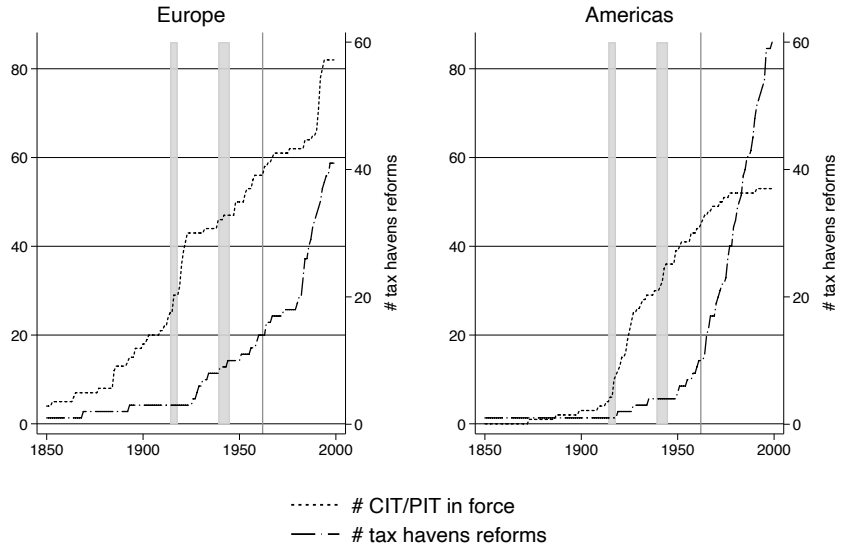


Figure 3 – The building of tax havens' legal architecture and the rise of direct taxation.

Note: This figure plots the number of direct taxes (Corporate income taxes and Personal income taxes) introduced and the number of tax haven reforms for Europe and the Americas. Data on the introduction of taxes comes from Seelkopf et al. (2021). Data on tax havens' reforms comes from own data collection detailed in section 2. Shaded areas indicate the world wars and the vertical line (1962), the beginning of the independence wave in the U.K.-dominated Caribbean area.

Conversely, the reforms at the end of the 20th century cannot be straightforwardly explained by rising taxation, suggesting a role of alternative factors. A factor well documented in historical studies is the association between the decolonization in the British Empire and the birth of new tax havens from the 1960s (see for instance Ogle, 2017, and Sævold, 2022). On the contrary, other colonial powers such as France have been more reluctant to encourage this development choice (Rawlings, 2004). Newly independent countries might have found a convenient specialization in the tax haven industry, which was predicated on a resource available to all countries: sovereignty (Slemrod, 2008). The heterogeneity between colonial powers is explained in the literature by the diffusion of the common law system in the British Empire, the importance of London as a central financial place (Palan et al., 2009), or policy choices (Woker, 2024).

The new data can help us explore these questions quantitatively. To confirm the visual evidence in Figure 2 where the black line marks the beginning of a decolonization wave in the Caribbean, I study the evolution of the offshore policies of countries following their independence from the UK. In appendix D, I estimate a dynamic difference-in-differences specification where the treated group is composed of countries experiencing decolonization from the UK and the control group of countries that become independent from another colonizer. I argue that the decolonization timing can be seen as exogeneous to offshore policies. I find that the number of offshore reforms passed by former U.K. colonies almost double 10 years after becoming independent, with respect to the control group. This effect is sub-

stantial and suggests that decolonization served as a significant supply shock to the offshore market.

In sum, the rise of tax havens reflects the combined effect of global demand shocks, through rising taxation and the supply shock created by British decolonization.

Fact 2. Tax havens compete through horizontal and vertical differentiation of legal services. To continue exploring the structure of the market for tax havens, I study the differentiation in the services they offer. Figure 4 decomposes the trend of reforms based on tax havens' specialization, as categorized in Table 1. It shows the cumulative adoption curve of offshore legal technologies. During the

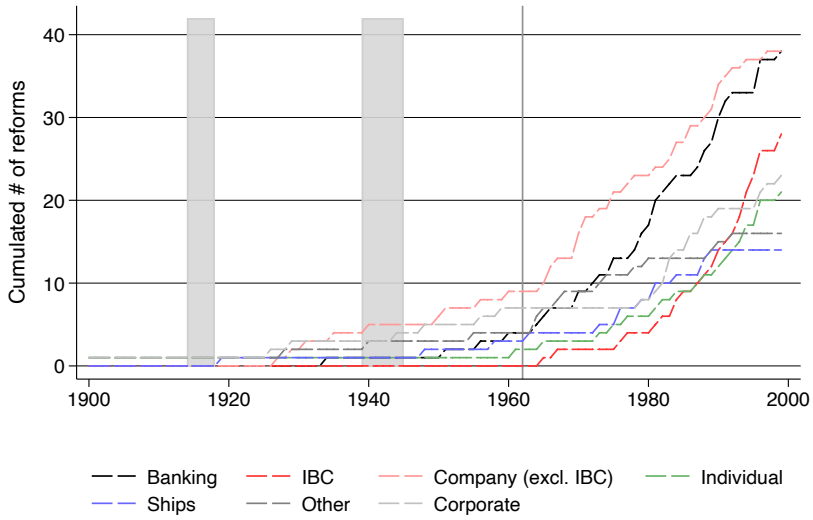


Figure 4 – Rise of tax havens in the 20th century: decomposition by legal technology

Note: This figure depicts the rise of tax havens in the 20th century by legal technology. Data on tax havens' reforms come from own data collection (see section 2). Shaded areas indicate the world wars and the vertical line (1962) the beginning of the independence wave in the U.K.-dominated Caribbean area.

interwar period, the inaugural reforms reflected diversification across various legal technologies, hinting at limited competition among tax havens. However, from the 1950s, "Exempt companies" emerged as the predominant type of tax haven technology, with the associated reforms outpacing those in other sectors. These companies, which provide flexibility to both firms and individuals (particularly for managing business income), also reduce administrative costs for countries that become tax havens. This attractive property might explain the growth in this technology's adoption by tax havens. The figure also shows a rapid rise in the number of banking reforms, mainly composed on banking secrecy laws, which are expected to develop simultaneously with other legal technologies. This is precisely these types of tax havens' legal architecture that is now targeted by the automatic exchange of banking information implemented through the OECD's Common Reporting Standard (CRS).

Finally, IBCs appear to have grown increasingly attractive at the end of the century, with a significant increase in the number of IBC reforms. There were a few IBC reforms in the 1960s, but we observe a break in the trend following the reform of 1984 in the British Virgin Islands. Since then, IBCs have been the legal technology that has experienced the most remarkable growth, emphasizing the key role of legal innovations in tax havens' development. This legal technology is recognized as the most prominent offshore regulation of the 20th century (Harrington, 2016). [15] It also illustrates how quickly legal innovations can diffuse between countries. In contrast to innovations in other markets, legal innovations can be readily replicated since regulations are publicly available and are not protected from replication. In Appendix Figure A.4, I study the diffusion of the 1984's British Virgin Island IBC legislation. The event-study shows that 15 years after the adoption of the IBC law in the BVI, the number of IBC regulations has increased on average by 0.1 in countries close to the BVI (as opposed to countries of the control group located further away) while one year before the shock the number of IBC reforms in the sample was 0.025. This case study highlights the strong diffusion pattern of some offshore legal technologies, in line with the literature that studies the international diffusion of technologies (Comin and Mestieri, 2014) which shows that technological spillovers depend on geographical distance due to diffusion costs that vary with distance.

In addition, the use of price data informs us on vertical differentiation trends. There is great variation in prices, from $500 to incorporate a company in Singapore to $9200 in Bermuda. This variation in prices, and the fact that tax havens with different prices coexist in the same market suggests the existence of vertical specialization. Figure 5 illustrates a key pattern: countries with longer histories as tax havens tend to charge higher prices. This is consistent with models of vertical product differentiation (e.g., Gabszewicz and Thisse, 1979). Tax havens supply products of varying quality and segment the market by charging higher prices to users with a greater willingness to pay for reliability, legal certainty, or reputation. Experience thus serves as a quality attribute that allows established tax havens to charge higher prices, while less established ones compete by offering lower-cost, lower-certainty services.

Fact 3. Offshore legal reforms significantly increase offshore activity. Offshore reforms are legal acts. How do these acts affect the real economy? Do they trigger an increase in supply in affected countries? To proxy offshore services

15. The importance of IBCs is recognized by both scholars (e.g., Palan et al., 2009, Harrington, 2016) and professionals (e.g. Riegels, 2014, from the offshore law firm Harneys). In 2014, Appleby, a leading international law firm incorporated in Bermuda, wrote a blog post to celebrate the 30th anniversary of the law in the British Virgin Islands, recognizing that "one would be hard-pressed to find an example of a similar law that has had such profound and positive implications for the jurisdiction in which it was promulgated" (Kirk, 2014). The chief of government of the BVI affirmed that it was the "most important law of the decade". The law is also described as having a "dramatic positive effect [...] on the growth of the offshore sector elsewhere".

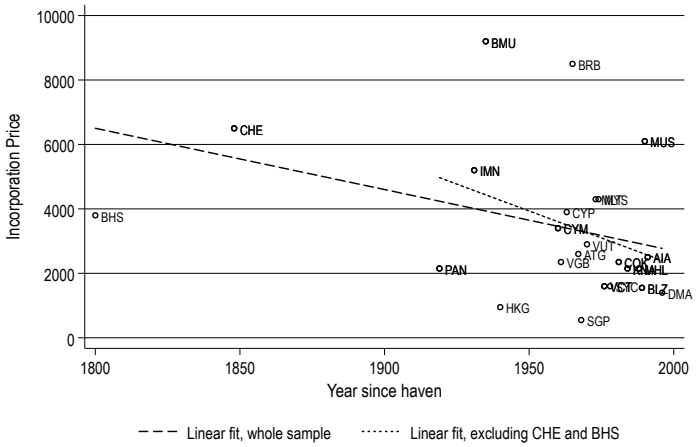


Figure 5 – Offshore services prices and experience as a tax haven

provision over time, I use the tax havens level panel of entities from the Offshore Leaks (ICIJ, 2022b). It counts the number of offshore entities located in a tax haven j at date t.

I run an event study to investigate whether a new reform in a country i at date t has any effect on the number of offshore entities located there. This exercise focuses on the implementation of reforms introducing IBCs because this is the type of legal technology most likely to be covered by Offshore Leaks. I compare tax havens that enact an IBC reform to those that never enacted an IBC reform. To keep zeroes in the estimation, I estimate the effect on the level of number of entities. I show in appendix F, that the result is robust to alternative strategies inspired from Chen and Roth (2024). I estimate the following equation:

$$Entities_{jt} = \sum_{k=-10}^{15} \zeta_k IBC_{jt}^k + u_j + u_t + v_{ij} \tag{1}$$

where $Entities_{jt}$ represents the number of entities in tax haven j at date t, IBC_{jt}^k is a dummy variable equal to one for treated countries k years before or after it becomes a tax haven, u_j and u_t are country and time fixed effects, and v_{jt} is the error term. The equation is estimated using the using the estimator of de Chaisemartin and D'Haultfœuille (2024) to account for potential heterogeneous effects in a generalized difference-in-difference setting with different treatment dates.

In Figure 6, I find that following a reform adoption, the number of offshore entities recorded in Offshore Leaks increases by 700 units after 10 years. This effect appears right after the reform and increases over time, while the pre-reform coefficients are close to zero and not statistically different from zero. This figure shows, using two independent data sources, that reforms of tax havens' legal architecture give rise to an increase in tax haven services provision in these countries. This result supports the consistency of the data. In Appendix F, I propose robustness

tests that follow Chen and Roth (2024) and allow the estimation of an elasticity. I find that the offshore activity increases by 200% 10 years after the reform.

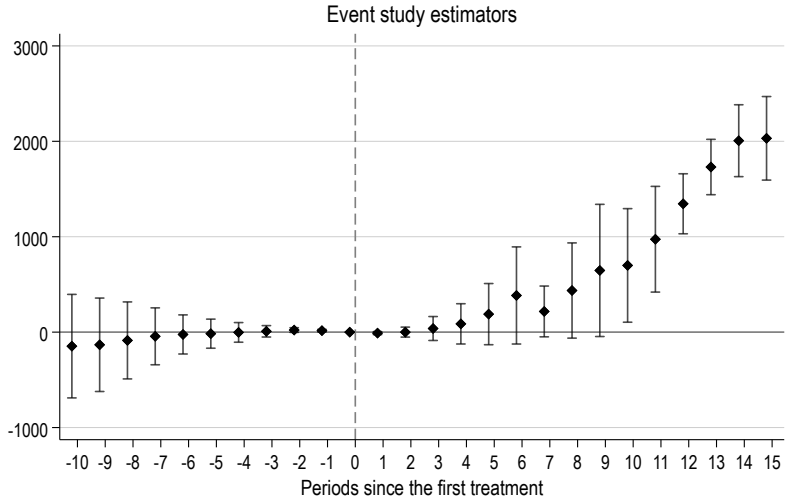


Figure 6 – Offshore reforms and tax havens' offshore activity: Event study

Note: This figure plots coefficients from the estimation of equation 1 estimated using the estimator of de Chaisemartin and D'Haultfœuille (2024). The treated group is composed of tax havens introducing "International Business Companies" reforms. It studies how the number of offshore entities registered in a tax haven changes when the country enacts a new IBC reform. The dependent variable is winsorized at the 5th and 95th percentiles to limit the role of outliers. The control group corresponds to tax havens that have never enacted any exempt company reform. 95% confidence intervals from clustered standard errors.

Finally, note that the observed increase in the number of reforms from the 1960s and the correlative rise in offshore incorporation in new tax havens might come at the expense of the tax havens already supplying the market (substitution) or could have expanded the size of the market (complementarity). I evaluate these alternatives in Appendix E and show, using the Swiss offshore market as a case study, that the arrival of new tax havens is not associated with a decline in the activity of old tax havens, suggesting limited substitution and an expansion of the market across time.

Fact 4. Geography shapes the demand for tax haven services. Fact 1 correlates the rise of taxation with the rise of tax havens reforms across time and space suggesting a geographical component of demand: the introduction of taxes in one country increases the demand for tax haven services in nearby countries. This boils down to assuming that the costs of tax haven use increase with geographical distance, which can be surprising at first sight given the non-physical nature of this activity. I show here that the use of offshore services follows a gravity structure.

Empirical support for the role of distance of offshore activity is found in the literature in the context of the use of tax havens by multinational firms (Hebous and Johannesen, 2021, Ferrari et al., 2024) and by individuals (e.g. Leenders et al., 2023).

Bilateral evasion costs, that justify the existence of a gravity structure for tax evasion, are diverse. First, tax evasion corresponds to the use of offshore services and it is shown that trade in services follows a gravity equation (Kimura and Lee, 2006). In addition, trust and coordination, which are highly correlated with bilateral distance, have been used to explain why the gravity equation holds for trade in goods and in services (Guiso et al., 2009). The exchange of offshore services strongly requires these two components given the opaque nature of the activity, suggesting that distance should be an important determinant of tax evasion. Even with 21st-century technologies, tax evasion implies communication and travel costs (see Harrington, 2016). Locating one's assets in a tax haven means traveling there occasionally (for the evader or its lawyer), communicating with intermediaries in the tax haven, etc. All these costs will depend on geographical distance, but also on the linguistic distance between two countries. Finally, bilateral evasion costs will also vary with the extent of compatibility between the regulations in the high-tax country and those in the offshore country, suggesting a role for the legal distance.

I employ the bilateral version of the Offshore Leaks data focusing on $(non-haven; haven)$ country pairs. These links represent connections between offshore entities in a tax haven j and entities or individuals in a non-haven country i. I estimate the following gravity equation to explain the number of links between a pair:

$$\#Links_{ijk} = exp\left(\beta_1 ln(Dist_{ij}) + \boldsymbol{\beta} X_{ij} + \nu_{ik} + \nu_{jk}\right) \epsilon_{ijk} \tag{2}$$

where $\#Links_{ijk}$ is the number of links between non-haven country i and tax haven j as documented in the leak source k (see the list of sources in Appendix Figure A.3). $Dist_{ij}$ is the geographic distance between i and j and X_{ij} includes bilateral gravity variables capturing colonial relationships, common legal origins, and common language (Gurevich et al., 2024). ν_{ik} and ν_{jk} are country$\times$source fixed effects that account for any country-level and country$\times$source-level shocks such as preferences and characteristics of the offshore providers exposed in a given leak. ϵ_{ijk} is the error term. Given the count nature of the data and following the best practices in gravity equation estimations, the equation is estimated using a Poisson pseudo-maximum likelihood (PPML) estimator.

In Table 3, I find that distance plays an important role, with a 1% distance increase decreasing the number of ultimate ownership links between two countries by approximately 0.35%. A stronger relationship, with a distance elasticity around 1, is found when adding links non associated with ultimate ownership. This result supports the hypothesis that bilateral evasion costs increase with distance. These costs decrease with the legal similarities between the origin country and the tax haven. Indeed, two legal systems with the same origin might be more complementary when one wants to evade or avoid taxation. Language proximity also increases the bilateral use of tax havens, even after controlling for legal and colonial

origins. The coefficient on the colonial origins variable is not significantly different from zero, reflecting the correlation between colonial history and legal history (Klerman et al., 2011). Finally, it is worth noting that the Offshore leaks contains information on offshore entities that necessitate few physical operations or substance. Therefore, the estimate likely represents a lower bound of the strength of gravity determinants of the use of tax havens.

Table 3 – Gravity in Offshore Leaks data

	(1) # UBO links	(2) # UBO links	(3) # UBO links	(4) # Links
ln(Dist.)	-0.313***	-0.457***	-0.352***	-0.944***
	(0.0777)	(0.0700)	(0.0845)	(0.0950)
Colonial link		-0.0384	-0.332	-0.128
		(0.271)	(0.310)	(0.246)
Common legal origin		1.186***	1.167***	1.131***
		(0.213)	(0.218)	(0.302)
Common language index			0.926***	1.144***
			(0.355)	(0.428)
Observations	1,537	1,537	1,537	2,291
Origin-source + Destination-source FE	Yes	Yes	Yes	Yes

Note: This table estimates equation 2 using a PPML estimator. In columns (1) to (3), the dependent variable is the number of ultimate beneficial ownership (UBO) links and in column (4), the dependent variable is the total number of links, . Robust standard errors clustered at the country-pair level in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Distance appears as a crucial factor influencing the demand received by tax havens. This observed pattern aligns with the concept of market access in the economic geography literature (Redding and Venables, 2004), according to which countries close to large markets are better positioned to serve demand, similarly to how tax havens benefit from proximity to countries implementing higher tax rates. Consequently, countries near large markets with high tax rates will be more likely to become tax havens, irrespective of their own size. This geographical variation in tax haven use will be essential in our identification of the effect of tax havens on non-haven countries outcomes.

4 Consequences of becoming a tax haven

I now turn to the macroeconomic consequences of tax havens, both on their economies (section 4) and on foreign economies (section 5). I will concentrate on GDP per capita and on the tax structure. The next two sections contribute to the debate about the desirability of tax havens (Slemrod and Wilson, 2009, Hong and Smart, 2010), using novel data and identifying variation. To investigate the effects of a country's becoming a tax haven on its development I study the evolution of its GDP per capita. GDP per capita data comes from the Global Macro Database (Müller et al., 2025), which provides, to date, the largest sample of GDP per capita observations over the 20th century. I focus on the post-war period where 39 coun-

tries become tax havens. As tax havens are sometimes small countries or territories dependent of other countries, there might not exist historical GDP per capita data. I observe data for 29 of them the year they become tax havens. Table A.5 in Appendix lists countries included in each of the next exercises.

Becoming a tax haven is not a random treatment and no perfect strategy exists to capture the causal effects of tax havens on the economy. To address this challenge, I use different strategies to estimate the impact of becoming a tax haven on GDP per capita. I also provide several robustness tests to confirm the validity of the results.

The tax havens' growth gap I first look descriptively at the growth trends followed by a country when it becomes a tax haven. In the same spirit as Funke et al. (2023), I compute the annualized growth gap for tax havens with respect to i) the contemporaneous (unweighted) average growth rate (*global growth gap*), ii) the average annualized growth rate of the respective country in the 10 years before becoming a tax haven (*own growth gap*). The annualized growth gap is computed for periods of 5 years and 10 years.

In Figure 7, I find that the average gap after five years is around 2.3 points of annual growth compared to the contemporaneous growth rate of other countries at the same time and 1.2 point compared to the own growth rate before becoming a tax haven. After 10 years, this difference is reduced respectively to 1.4 point of annual growth compared to other countries and 0.4 point of annual growth compared to the same country before becoming a tax haven. These descriptive statistics point to a growth premium from becoming a tax haven. The next analysis employs causal inference methods to formally test this relationship.

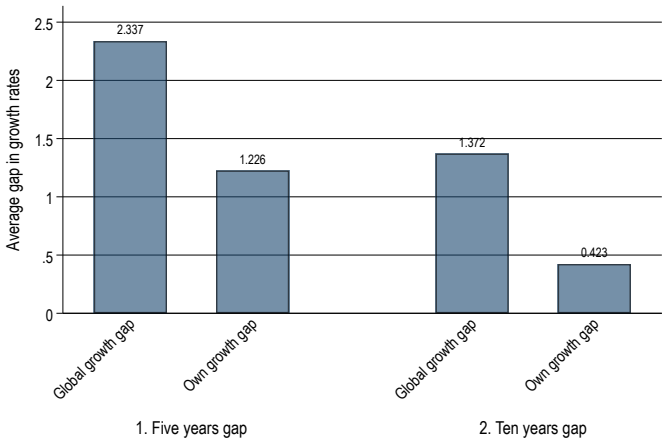


Figure 7 – Average havens' annual growth gap

Note: This figure shows the average annualized growth difference between tax havens and i) the contemporaneous global growth rate (*global growth gap*), ii) average annualized growth rate of the respective country in the 10 years before becoming a tax haven (*own growth gap*). This difference is taken for two period sizes: five years after a country becomes a tax haven and ten years after. The sample of tax havens included in the figures is given in Appendix Table A.5.

I use an interactive fixed effects (IFE) methodology, which extends beyond standard two-way fixed effects models by allowing for unobserved confounders that vary over time and across units (Gobillon and Magnac, 2016, Xu, 2017, Liu et al., 2022). Rather than assuming these confounders affect all units in the same way, the IFE approach models them semi-parametrically by interacting time-varying latent factors with unit-specific loadings. This allows the model to flexibly capture complex patterns in the data, especially when unobserved shocks or trends may influence units differently.

Intuitively, the method can be seen as constructing counterfactuals for treated units using information from pre-treatment outcomes and the structure of correlations across units. It resembles a reweighting strategy, where treated units are compared to a weighted combination of control units that best match their pre-treatment dynamics. In this sense, the method generalizes the synthetic control approach (Abadie et al., 2015) to settings with multiple treated units and staggered treatment timing. It also includes formal procedures for inference on treatment effects (Liu et al., 2022). It is equivalent to matching, country by country, treated units with untreated units based on GDP per capita trends before the treatment.

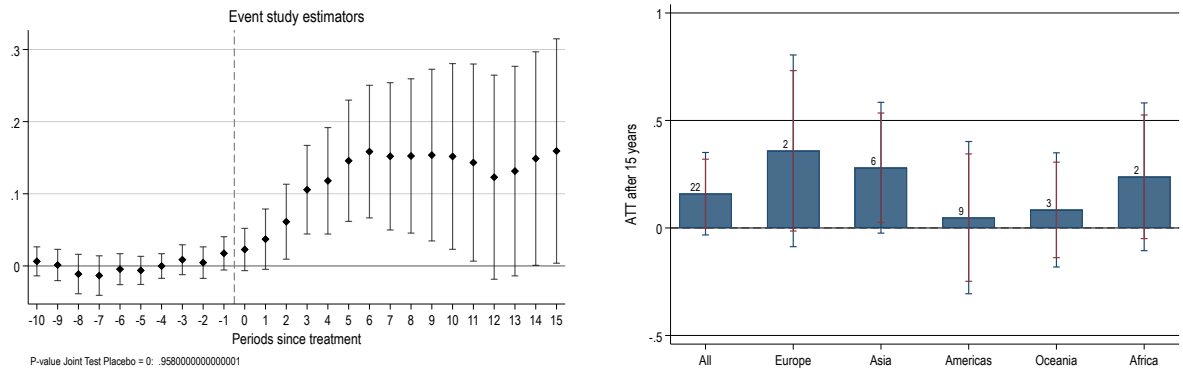
More formally, I estimate a model of the following form:

$$Y_{it} = \alpha_i + \lambda_t + D_{it}\tau_{it} + \mu_i' f_t + \varepsilon_{it} \tag{3}$$

where Y_{it} is the outcome of interest for unit i at time t, α_i and λ_t are unit and time fixed effects, D_{it} is a binary treatment indicator, τ_{it} is the (possibly heterogeneous) treatment effect, and $\mu_i' f_t$ represents the interactive fixed effects, capturing unobserved time-varying confounders through unit-specific loadings μ_i and common factors f_t. The error term ε_{it} is assumed to be mean-zero and uncorrelated with treatment assignment, conditional on the factors.

Following Xu (2017) and Liu et al. (2022), causal effects are identified and estimated by first fitting the model to pre-treatment periods only, using both treated and control units to estimate the latent factors f_t and loadings μ_i. These estimated components are then used to estimate the counterfactual outcomes for treated units in post-treatment periods under the assumption that, absent treatment, their outcome dynamics would continue to follow the same factor structure. Treatment effects are subsequently obtained as the difference between actual outcomes and these predicted counterfactuals. This procedure avoids bias from post-treatment contamination (de Chaisemartin and D'Haultfœuille, 2020, Borusyak et al., 2024) and aims at ensuring that the estimated effects are attributable to the treatment intervention rather than to endogenous changes in unobserved confounders. I also check in appendix Figure A.6a that the results are robust to the aggregation of individual synthetic controls as in Funke et al. (2023).

Results The main results are displayed in Figure 8. Following the switch to the tax haven status, the average GDP per capita increases more than in counterfactual countries that do not switch, as shown in panel (a). This annual effects accumulates and after 15 years, I estimate a havens' growth gap of 16%, which is equivalent to an gap of 1p.p. of annual growth, on average. The effect on GDP is very similar, as shown by Appendix Figure A.5. Twenty-four countries are included in the estimation sample from a diverse set of regions.



(a) All tax havens (b) Results by continent

Figure 8 – Effect of becoming a tax haven on GDP per capita

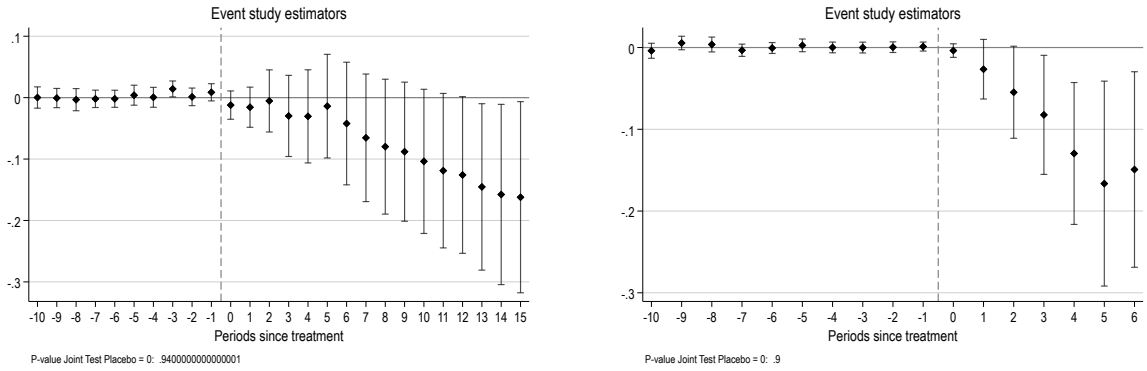
Note: This figure plots coefficients from an event-study regression following equation 3 and estimated following Xu (2017) and Liu et al. (2022).. In panel (a), the dependent variable is GDP per capita. and all countries are included in the regression. 90% confidence intervals from bootstrapped standard errors (500 replications). In panel (b), the dependent variable is GDP per capita but runs equation 3 including only tax havens of a given continents (and all other non-havens). 90% confidence intervals in red and 95% confidence intervals in blue (500 bootstrap replications). The number indicates the number of tax havens included in each estimation. The sample of tax havens included in the estimation is given in Appendix Table A.5.

Panel (b) of Figure 8 shows the regional differences in driving this aggregate result. It reveals a diversity of situations. The main effects appears to be driven down by countries from the Americas and Oceania where the average effect is small and non significantly different from zero. The large standard errors in these cases reveal very diverse situations. To understand more precisely the origin of this heterogeneity, appendix Figure A.7 shows the correlation between the observed gap and the year where a country become a tax haven. Countries that enter later are more likely to gain less from becoming a tax haven. This illustrates that as tax havens are entering the market, the available rents decrease, pushing the marginal gain of becoming a tax haven towards zero.

I perform two exercises to assess the robustness of these results. First, in Panel (a) of appendix Figure A.6, I replicate the exercise using individual synthetic control methods that I aggregate by taking the average across countries. I find an average increase in GDP per capita by about 24% after 10 years. Second, I perform a placebo experiment where I permute the offshore history of the countries in the sample. In Panel (b) of Figure A.6, I estimate the average treatment effect

across 500 replications and find a flat path around treatment, demonstrating that the effect that I estimate is likely to be causal.

Does it reflect changes in the real economy? Two important questions remain. First, does the estimated effect on GDP per capita reflect changes in the real economy? The observed increase in GDP per capita could overstate improvements in domestic welfare or real activity if it results from measurement errors such as changes in national accounting linked to the growth of offshore finance, or if it primarily captures financial flows benefiting foreign residents. To assess whether the GDP effect corresponds to a deeper economic transformation, I examine the evolution of agricultural land, shown in panel (a) of Figure 9. In the absence of detailed historical data on other real economic indicators, the share of agricultural land serves as a useful proxy for structural change. A declining share typically reflects a shift away from agriculture toward industry and services, often associated with rising productivity and modernization (Lewis, 1954).



(a) Effect of becoming a tax haven on agricultural lands

(b) Effect of anti-tax haven policies

Figure 9 – Effect of becoming a tax haven on macroeconomic outcomes: additional results

Note: This figure plots coefficients from event-study regressions following equation 3 and estimated following Xu (2017) and Liu et al. (2022). Panel (a) studies the impact of becoming a tax haven on the share of agricultural land. The composition of the treated group is given in Appendix Table A.5. The control group is composed of all never-haven countries in the world. Panel (b) studies the impact of an anti tax haven policy (blacklisting by the European Commission). The composition of the treated group is given in Appendix Table A.6. The control group is composed of untreated tax havens. 95% confidence intervals from bootsptrapped standard errors (500 repetitions). The p-value tests for the absence of pre-trends.

I find that becoming a tax haven is associated with a 17% decline in the share of agricultural land after 15 years, following a steadily decreasing trend. This pattern suggests that at least part of the increase in GDP per capita is linked to a broader structural transformation of the economy, rather than being purely a financial or statistical artifact.

What happens following anti-tax havens regulations? Second, what happens when the activities of a country as a tax haven are constrained, for instance following the actions of the OECD or the European Commission against tax avoidance and tax evasion? The recent development of multilateral cooperation to limit such activities is designed to deter and penalize jurisdictions that fail to meet international tax standards, such as transparency or anti-avoidance policies. Among these measures, I focus my empirical analysis on the establishment of a blacklist of non-cooperative countries for tax reasons by the European Commission in 2017. [16] This policy has several advantages for a causal analysis. First, it targets a subset of tax havens in a staggered design, as jurisdictions are added to the list on successive rounds, while other policies might be adopted simultaneously by many countries at the same time, limiting the statistical variation available. Second, inclusion on the blacklist triggers sanctions that materially raise the cost of offshore services, such as higher taxes (through withholding taxes or CFC rules) or tighter reporting obligations.

I use the same interactive fixed effects design as for the previous exercise, comparing blacklisted tax havens to non-blacklisted ones and tracking the change in GDP per capita in these countries. Table A.6 in appendix shows the list of affected countries and the date they were first blacklisted. [17] To avoid capturing an effect of Covid-19 on GDP per capita, I replace the 2020 observations with a linear interpolation between years 2019 and 2021. In panel (b) of Figure 9, I find that being blacklisted by the European Commission generates on average a decrease in GDP per capita by 15% after six years, equivalent to a 2.7p.p penalty on annual growth. This effect is relatively large, but can be explained by the fact that blacklisting mainly targets small countries, highly specialized in the offshore industry, as opposed to larger, more diversified tax havens. Importantly, these results show that GDP per capita reacts negatively to negative shocks on tax haven activity. This result holds when using the raw GDP per capita data, uncorrected for Covid-19, as shown in Appendix Figure A.8a. Some blacklisted countries do not appear in my database of tax havens, due to the variety of tax havens definitions one can adopt. The result also holds when the sample is restricted to the definition of tax havens adopted in this paper (Appendix Figure A.8b), with a cumulated effect of -11%, or -1.9% annually, compared to untreated tax havens.

16. The European Commission began the publication of a list of non-cooperative countries for tax purposes in 2017. Member States must include blacklisted countries in their national lists and apply at least one of four "defensive measures" such as CFC rules, withholding taxes, non deductibility of costs or limitation of the participation exemption. The literature on the consequences of blacklisting on targeted countries suggests that blacklisting affects economic outcomes in targeted countries as well as their probability to become more compliant with international standards (Laffitte and Montagner, 2025).

17. Russia, that appeared in the European Commission list after the invasion of Ukraine, is dropped from the sample in all exercises since this decision was mainly political and associated with other packages of sanctions related to the invasion of Ukraine.

Table 4 – The growth gap and the price of offshore services.

	(1) ln(price)	(2) ln(price)
Growth gap	-2.087***	-0.404***
	(0.395)	(0.121)
	[1.021]	[0.250]
Country fixed effects	No	Yes
Time fixed effects	Yes	Yes
Observations	68	68

Note: This table shows the link between the offshore growth gap (more negative for countries hit by a larger shock) estimated in Panel (b) of figure 9 and the log of the price for offshore services. Robust standard errors in parentheses. Bootstrapped standard errors in brackets (1000 replications) to account for the fact that the growth gap is an estimated variable. *** p<0.01, ** p<0.05, * p<0.1

Finally, I explore whether this negative policy shock has effects on the market for tax havens, looking at the prices of offshore services. Despite not covering all tax havens of the sample, the estimation delivers a clear finding. In Table 4, I relate the estimated change in GDP per capita, i.e. the size of the negative shock, to the price of offshore services using both between country variation (column 1) and within country variation (column 2). The results show that countries that are hit harder by the shock (those with a more negative gap) have more important prices for offshore services than other countries, less affected by the shock. Adding country fixed effects shows that this relation holds using within country variation, where an increase in the growth gap by 1 log point increases prices by 0.4%. Standard errors are bootstrapped to account for the fact that the growth gap is a generated regressor. The result is consistent with a simple model of monopolistic competition where prices reflect a mark-up over marginal costs. The blacklisting increases the cost of furnishing offshore services, which is then reflected in a higher price.

5 Effect of exposure to tax havens on other countries

A growing literature shows that tax havens erode the tax base of non-haven countries by facilitating profit shifting and tax avoidance (Alstadsæter et al., 2018, Tørsløv et al., 2023). These studies typically document direct effects on tax revenues but pay limited attention to broader fiscal consequences or the policy responses of affected countries (Keen and Konrad, 2013). This section examines how exposure to tax haven reforms influences non-haven countries' macroeconomic outcomes, namely, GDP per capita, total tax revenues, and tax structure. To capture differential exposure, I exploit reforms enacted in tax havens within a

shift-share framework that leverages geographic proximity as a source of identifying variation. [18]

Shift-share design Measuring the causal impact of tax haven activity on other countries poses a central empirical challenge: offshore reforms potentially affect all countries. To address this, I exploit the fact that the intensity of exposure varies with geographic proximity. The use of tax havens follows gravity patterns, and the cost of engaging with offshore jurisdictions rises with distance (see Fact 4). I therefore construct z_{it}, the shift-share exposure to tax havens of country i at date t where the "shift" is the number of offshore reforms implemented in haven countries j, and the "shares" are an inverse function of geographic distance between countries i and j:

$$z_{it} = \sum_{j, j \neq i} f(Dist_{ij}) \times \#Reforms_{jt} \tag{4}$$

Recent advances in the shift-share literature emphasize that the choice of "shares" must reflect the economic mechanism linking exposure to outcomes, and that shares need not sum to one (Borusyak et al., 2025). In the context of geographic exposure to tax havens, shares normalized to sum to one are conceptually inappropriate. Unlike factor shares or trade shares, a share of distance between countries does not reflect any meaningful economic process. What matters is the absolute cost of accessing a haven, which declines with geographic distance in levels. I therefore use the inverse of the logarithm of distance as the main weighting function: $f(Dist_{ij}) = \frac{1}{ln(Dist_{ij})}$. I chose this functional form because it allows the marginal effect of distance on exposure to diminish as distance increases. This property captures the intuition that additional kilometers matter less when countries are already far apart, in contrast to the inverse-distance function, which imply a constant elasticity. In robustness analyses, I use functions based on thresholds and assume that countries are exposed to reforms made in countries distant by less than 3500km or 5000km: $f(Dist_{ij}) = \mathbb{1}_{Dist_{ij}<d}$ with $d \in \{3500km, 5000km\}$. In all specifications, I include as a control the sum of "shares" interacted with time fixed effects, to account for the fact that shares do not sum to one.

I estimate the following equation:

$$Y_{it} = \beta z_{it} + \theta X_{it} + \sum_{j} f(Dist_{ij}) \times \mu_t + \mu_i + v_{it} \tag{5}$$

where Y_{it} is the variable of interest, the log of GDP per capita, the share of tax revenues in GDP, or the tax structure. The tax structure will be proxied by the effective tax rate falling on labor income (ETR_L), the effective tax rate falling on capital income (ETR_K) and their difference, that captures the relative taxation of labor vs.

18. Note that, geographic proximity has been previously used by Hines (2010), in a descriptive way, to proxy the exposure of non-haven countries to tax havens.

capital.[19] X_{it} are a set of country-level and shock-level controls computed following equation (4). $\sum_j f(Dist_{ij})$ controls for the sum of shares in a setting where it is not equal to 1. μ_i and μ_t are country and year fixed effects.

The identification strategy does not require offshore reforms to be strictly exogenous, rather, it assumes they are exogenous to non-haven countries' outcomes after conditioning on fixed effects and the control variables. The control set absorbs channels through which reforms might respond endogenously to global macroeconomic trends, regional shocks, or policy diffusion. Country-level controls include GDP per capita, tax-to-GDP ratio, government political orientation, and trade openness (imports and exports over GDP). They are used to ensure the exogeneity of reforms by controlling for the demand channel. Exposure-weighted foreign controls, such as inverse distance-weighted foreign GDP and foreign tax-to-GDP ratios, mitigate confounding from cross-border economic linkages and policy spillovers. They are computed using equation (4).

To ensure valid inference, standard errors are computed following the methodology of Borusyak et al. (2022), which provides an "exposure-robust" approach suited for shift-share designs. Specifically, standard errors are clustered at the level of the shock-sending country j, rather than at the level of the receiving country i.[20] This accounts for the mechanical correlation in exposure across i countries with similar shares, which may lead to correlated errors in the presence of unobserved shocks (Adão et al., 2019). Clustering at the level where shocks are assigned ensures valid inference. In a robustness table, I also compute shock-level spatially clustered standard errors, where the correlation in the residuals between two shock-sending countries is assumed to be positive if the distance between them is lower than 3,500 km (approximately the average distance between two countries on the same continent).

Table 5 shows descriptive statistics at the shock level. The average country, including those that never become tax havens, makes 0.4 reform. Conditional on becoming a tax haven, the average number of reforms made in the 48 tax havens of the sample is 1.9. Following Borusyak et al. (2022), I compute the effective sample size as the inverse of the Herfindahl index of the exposure weights. The large effective sample size suggests a large dispersion of shocks, which is a necessary condition to identify effects in shift-share designs. Another necessary condition is that shocks are sufficiently mutually uncorrelated. To do so, I compute the intra-class correlation coefficient (ICC) of shocks between countries. The estimated ICC is 0.02, indicating a low degree of correlation in shock assignment across countries.

19. The effective tax rate on capital includes corporate income taxes, wealth taxes and property taxes. The effective tax rate on labor includes payroll taxes and social security payments to labor. Personal income taxes are allocated between labor and capital according to their respective share in personal income taxes computed by Bachas et al. (2022). For instance, in 1965, 19% of personal income taxes are allocated to capital. Indirect taxes are neither allocated to labor nor to capital.

20. Borusyak et al. (2022) shows that a shift-share regression at the it level can be estimated in an equivalent way at the jt level using proper weights. I use their Stata command `ssaggregate` to do so.

This supports the assumption that the shocks are sufficiently independent to allow for credible identification of causal effects.

Table 5 – Descriptive statistics on shocks

Mean (sd)	Mean (sd) (Haven=1)	# of haven / countries	Effective sample size	Largest weight	ICC Cross-section
0.43 (1.07)	1.9 (1.51)	48/213	7416	0.0002	0.023

Note: This table shows descriptive statistics about the shocks used in the shift-share estimation, weighted by importance weights. "Mean (Haven=1)" restricts the sample to countries that ever become tax havens. The effective sample size corresponds to the inverse of the Herfindahlindex of importance weights. The ICC corresponds to the cross-sectionnal correlation between shocks.

Table 6 shows the relationship between exposure and the number of offshore entities per one million non-haven inhabitants according to Offshore Leaks data, accounting for shocks-level and country level controls, focusing on within-country variation, and computing the standard errors appropriately (see Appendix Figure A.9 for a plot of the cross-sectional relationship between exposure and the number of offshore entities per capita). There is a strong positive relationship between exposure and offshore use. Table A.7 in Appendix confirms the robustness of this relationship by providing more specifications, spatial standard errors, and shows that other functions of distance produce similar results.

Table 6 – Effect of offshore exposure on offshore activity

	(1) $\frac{\text{New entities}}{\text{Pop}/10^6}$
Offshore exposure	0.498***
	(0.0844)
$f(Dist_{ij})$	$\frac{1}{\ln(Dist_{ij})}$
Observations	3,539
Shock-level controls	Yes
Country-level controls	Yes

Note: The specification includes the sum of shares interacted with time fixed effects as control variables. The standardized effect corresponds to the estimated coefficient multiplied by the standard deviation of the offshore exposure residualized with country and time fixed effects. Robust standard errors clustered at the shock level in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

In Table 7, I explore how exposure to tax havens affects various outcomes in non-haven countries. To gauge the magnitude of the estimated effects, I also standardize the estimated coefficient by multiplying it with the standard deviation of exposure (residualized with respect to country and time fixed effects, following Mummolo and Peterson, 2018). Looking at macroeconomic variables in Panel (a), I find no statistically significant effect on GDP per capita, nor on (pre-tax) labor share. I find a negative impact on tax revenues. This result is in line with a large

body of literature that suggests that the use of tax havens reduces tax revenues in non-haven countries. However, the effect appears small as tax revenues decrease by 1.39% when exposure increases by one standard deviation. This comes from the fact that I estimate a different effect of tax havens than in the literature. Specifically, I estimate the impact of tax haven exposure while accounting for government policy responses. By contrast, the applied literature on tax havens generally examines how exposed tax bases are affected by the use of tax havens. Therefore, my findings suggest that non-haven countries partly compensate for the detrimental effects of tax haven exposure by increasing tax collection on unexposed bases.

I test this hypothesis in the subsequent panels of the table, analyzing the differential impact of offshore exposure on labor and capital taxation. In Panel (b), I study the effect of exposure to tax havens on the effective tax rate on labor and capital. These effective tax rates correspond to the total tax revenues assigned to each factor, divided by the total revenues assigned to this factor (Bachas et al., 2022). Offshore exposure has a positive effect on effective labor taxation, which is considered less mobile than capital, while reducing the taxation of capital, though this latter effect is not statistically significant. Consequently, the tax differential between the two increases, to the detriment of labor. In Panel (c), I focus on taxes as a share of Net Domestic Product (i.e. GDP minus depreciation, as provided by Bachas et al., 2022) rather than effective tax rates. I find similar results: offshore exposure increases the taxation of labor while reducing that of capital.

In terms of magnitudes, a one-standard-deviation increase in exposure raises the effective tax rate on labor by 0.5 percentage points and reduces the effective tax rate on capital by 0.2 percentage points. It raises the share of labor taxation in the Net Domestic Product by 3.39 percentage points while it decreases the share of labor taxation by 1.19 percentage points.

Next, I quantify the contribution of tax haven exposure to the broader trend of rising relative taxation of labor. For each country, I compute the change in residualized exposure between 1965 and 2000 and multiply it by the estimated coefficient from column (3) of Panel (b). I then compare this predicted effect to the observed change in the labor-capital tax differential, $ETR_L - ETR_K$, over the same period. The average change in the differential between labor and capital taxation is 4.2 percentage points (median = 2.3 pp.). I find that increased tax haven exposure accounts for 13.6% (median = 9%) of the observed rise in the relative burden of labor taxation.

Importantly, this finding suggests that governments respond to tax haven use by adjusting their tax structures. Capital taxation decreases relative to that of labor, which is less mobile. This result highlights a new channel through which globalization affected countries' tax structures in the latter half of the 20th century (Egger et al., 2019, Bachas et al., 2022). In non-haven countries, tax havens effectively act as a subsidy to mobile factors, financed by increased taxation of immobile factors.

Table 7 – Effects of exposure to tax havens on macroeconomic conditions

	(1)	(2)	(3)
Panel A: Macroeconomic outcomes			
	ln(GDPpc)	ln(Tax rev.)	Labor share
Offshore exposure	0.0518	-0.0914**	-0.000378
	(0.0647)	(0.0374)	(0.00772)
Observations	3,539	3,538	3,539
Standardized	0.00787	-0.0139	-5.74e-05
Panel B: Effective tax rates			
	ETR_L	ETR_K	$ETR_L - ETR_K$
Offshore exposure	0.0333***	-0.0152	0.0484***
	(0.00562)	(0.0129)	(0.0171)
Observations	3,539	3,539	3,539
Standardized	0.00505	-0.00230	–
Panel C: Taxes as a share of Net Domestic Product			
	τ_L	τ_K	$\tau_L - \tau_K$
Offshore exposure	0.0223***	-0.00784**	0.0301***
	(0.00341)	(0.00318)	(0.00555)
Observations	3,539	3,539	3,539
Standardized	0.00339	-0.00119	–
$f(Dist_{ij})$	———	$\frac{1}{ln(Dist_{ij})}$	———
Shock-level controls	Yes	Yes	Yes
Country-level controls	Yes	Yes	Yes

Note: All specifications include the sum of shares interacted with time fixed effects as control variables. The standardized effect corresponds to the estimated coefficient multiplied by the standard deviation of the offshore exposure residualized with country and time fixed effects. It is not displayed for the two variables in differences (column 3 of Panels (b) and (c)) since it is less interpretable in these cases. Robust standard errors clustered at the shock level in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

In Table 8, I assess the robustness of this last finding that offshore reforms bias the tax structure of other countries towards a heavier taxation of labor as opposed to capital. This result is robust across various specifications: the absence of controls except the sum of shares interacted with time fixed effects (column 1), the inclusion of country-level controls only (column 2), the addition of a control for the differential taxation of labor and capital in other countries (column 4). In columns (5) and (6), I apply the baseline specification to shift-share variables that use different distance functions, namely the number of reforms in a circle of 3500km or 5000km. Again, I find that the main result holds with this different distance function for shares. Finally, in column (7), I test for pre-trends by regressing the contemporaneous shock on a 5-years lagged outcome. I find a small and statistically non-significant coefficient.

Table 8 – Effects of exposure to tax havens on the tax structure: robustness

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				$ETR_L - ETR_K$			
Offshore exposure	0.0249**	0.0419**	0.0484***	0.0696***	0.00212***	0.00180***	-0.0185
	(0.0111)	(0.0185)	(0.0171)	(0.0227)	(0.000735)	(0.000461)	(0.256)
Spatial SE	[0.0224]	[0.0232]	[0.0238]	[0.0337]	[0.000800]	[0.000714]	[0.394]
$f(Dist_{ij})$	———	$\frac{1}{ln(Dist_{ij})}$	———		$\mathbb{1}_{Dist_{ij}<3500km}$	$\mathbb{1}_{Dist_{ij}<5000km}$	$\frac{1}{ln(Dist_{ij})}$
Observations	3,539	3,539	3,539	3,539	2,902	3,539	3,539
Standardized	0.00378	0.00637	0.00736	0.0106	0.0105	0.00821	-0.00275
5-years Lag	No	No	No	No	No	No	Yes
Lagged exposure control	No	No	No	No	No	No	Yes
Shock level Controls	No	No	Yes	Yes	Yes	Yes	Yes
Shock-level Dep. var	No	No	No	Yes	Yes	Yes	Yes
Country-level Controls	No	Yes	Yes	Yes	Yes	Yes	Yes

Note: This table assesses the robustness of the result on the differential between the effective tax rate on labor and on capital. All specifications include the sum of shares interacted with time fixed effects as control variables. *Shock-level Dep. var* means that the specification controls for the inverse-distance weighted value of the dependent variable in other countries. In column (7), the specification controls for the lagged shock in $t-5$. Robust standard errors clustered at the country level in parentheses. Spatial standard errors allowing for (linearly decreasing) spatial correlation in an area of 3500km (Colella et al., 2019) in brackets. This threshold approximately corresponds to the average distance between two countries in the same continent. Significance stars are based on the clustered standard errors. *** p<0.01, ** p<0.05, * p<0.1.

In Appendix Figure A.10, I replicate the specifications of columns (1) to (6) for all variables of Table 7. Results on the macroeconomic variables reveal no robust positive or negative effects of tax havens' exposure, including for tax revenues. On the contrary, the robustness of the results on the tax structure is confirmed across the majority of specifications.

Welfare effects The results highlight a key trade-off associated with the offshore industry. While adopting offshore reforms generates GDP gains for tax havens, it simultaneously redistributes the tax burden in non-haven countries by

raising labor taxes and lowering capital taxes, without affecting GDP or factor shares.

To formalize this trade-off, I develop a welfare-accounting framework that introduces a different welfare weight for labor and capital. The central question is: what is the maximal weight on labor consistent with tax havens being welfare-improving at the global level?

The exercise compares world welfare before and after tax havens emerge. For simplicity, I use the term "tax havens" throughout to refer to jurisdictions that eventually become tax havens I aggregate all tax havens into a single entity TH and index non-haven countries by $i = 1, \ldots, n$. Let $\Pi^t_{L,i}$ and $\Pi^t_{K,i}$ denote labor and capital incomes in country i, with $t \in \{pre, post\}$ indicating pre- or post-tax values, with pre-tax factor shares $s_{L,i}$ and $s_{K,i}$. Tax revenues from each factor are $T_{L,i}$ and $T_{K,i}$, and ΔY denotes the change in any variable Y induced by tax havens emergence. I assume that tax revenues are redistributed lump-sum to labor and capital in proportion to their factor shares.

I introduce welfare weights to allow for distributive preferences of the global planner. Labor is assigned weight ω_L and capital weight is normalized to one. Gains from the tax haven status, ΔW_{TH}, accrue to labor and capital in proportions ϕ_L and $\phi_K = 1 - \phi_L$.[21] World welfare is

$$\mathcal{W} = \mathcal{W}_{TH} + \mathcal{W}_N = \omega_L \Pi^{post}_{L,TH} + \Pi^{post}_{K,TH} + \sum_{i=1}^{n} \left(\omega_L \Pi^{post}_{L,i} + \Pi^{post}_{K,i}\right).$$

In tax havens, welfare changes according to $\Delta \mathcal{W}_{TH} = \omega_L \phi_L \Delta \Pi^{post}_{L,TH} + \phi_K \Delta \Pi^{post}_{K,TH}$, under the assumption that relative factor taxation is not affected when the country becomes a tax haven.

In non-haven countries, after accounting for taxation and redistribution, welfare is given by $\mathcal{W}_N = \sum_{i=1} \Big[\omega_L \big(\Pi^{pre}_{L,i} - T_{L,i} + s_{L,i}(T_{L,i} + T_{K,i})\big) + \big(\Pi^{pre}_{K,i} - T_{K,i} + s_{K,i}(T_{L,i} + T_{K,i})\big)\Big]$. With the empirical regularity that pre-tax factor incomes are essentially unchanged ($\Delta \Pi^{pre}_L = \Delta \Pi^{pre}_K = 0$), but labor taxes increase and capital taxes decrease, the change in non-haven welfare reduces to

$$\Delta \mathcal{W}_N = (1 - \omega_L) \underbrace{\sum_{i=1} \left(s_K \Delta T_{L,i} - s_L \Delta T_{K,i}\right)}_{=D}.$$

The welfare-neutral weight ω^*_L equates world welfare before and after tax havens entry, i.e., solves $\Delta \mathcal{W} = 0$. I find that

$$\omega^*_L = -\frac{\phi_K \Delta \mathcal{W}_{TH} + D}{\phi_L \Delta \mathcal{W}_{TH} - D}. \tag{6}$$

21. Note that this specification includes potential gains from higher tax revenues, as these are reflected in GDP. Since factor-level tax changes in tax havens cannot be measured directly, I do not model it separately. Instead, ϕ_L and ϕ_K should be interpreted as inclusive of taxation and redistribution.

All terms on the right-hand side except ϕ_L and ϕ_K are observable. I calibrate them using values at the end of the sample period. In Figure A.5, I estimate that tax haven entry raises GDP by about 15%. I find that $\mathcal{W}_{TH} = \$157bn$. For non-havens, combining estimated tax effects (Table 7, Panel (c)) with residualized country-level maximum exposure change over the sample period, Δe_i, I obtain $D = \sum_i \left(s_{K,i} \times \Delta e_i \times 0.223 + s_{L,i} \times \Delta e_i \times (-0.00784)\right) = \$191bn$.[22]

Figure 10 plots ω_L^* as a function of ϕ_L. ω_L^* lies between about two and five times the capital weight. Tax havens are welfare-improving when the actual ω_L lies below the curve, and welfare-reducing when it lies above. Thus, whether tax havens improve world welfare depends critically on both who benefits from the GDP gains generated by tax havens (ϕ_L) and the actual value of ω_L.

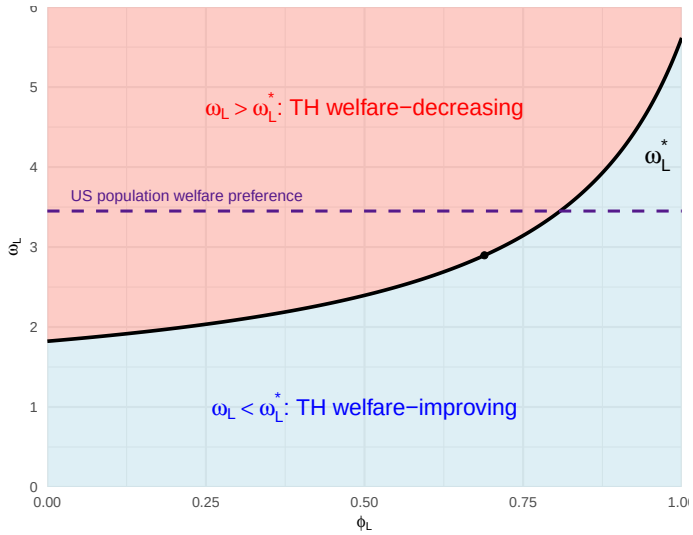


Figure 10 – Tax havens and welfare

Note: This figure shows ω_L^*, the welfare weight on labor that makes tax havens welfare neutral according to the share of GDP gains captured by labor ϕ_L. Tax havens are welfare-improving when the actual ω_L lies below the curve (blue area), and welfare-reducing when it lies above (red area). The black dot marks ω_L^* under the assumption that gains to labor follow the pre-tax labor income share in tax havens. The purple line denotes the median U.S. welfare preferences for labor following the results of Capozza and Srinivasan (2024).

Regarding the first point, the distribution of gains across factors cannot be measured directly, as historical data on factor shares in tax havens are scarce. A conservative benchmark is to assume that the gains from becoming a tax haven are distributed according to local factor shares (approximately 69% to labor and 31% to capital in havens). XX However, it is more plausible that these gains accrue disproportionately to domestic or foreign capital, since it is primarily capital income that is booked in havens (Alstadsæter et al., 2019). Gains to labor are expected through spillovers to domestic employment (in the offshore industry, administration, tourism industry, etc.). Consistent with this view, among the 16 countries classified as tax havens in 1980 with available factor-share data, the capital share

22. I use exposure residualized by country and time fixed effects to account for the fact that my estimation relies on within-country variation only, see Mummolo and Peterson (2018).

increased between 1980 and 2018 from 26.3% to 35.6% (+9.3 p.p.) over the period, compared with an increase from 24.1% to 29.2% (+5.1 p.p.) in (above-median per-capita income) non-haven countries. This divergence suggests that GDP gains in tax havens tend to flow towards capital more than proportionally to factor shares.

Turning to the second point, I rely on Capozza and Srinivasan (2024), that elicit welfare weights for the U.S. population by asking survey respondents to compare the value of one dollar allocated to individuals at different points of the income distribution. Across a range of income pairs, they find that the median welfare weight assigned to the poorer individual (typically earning between one-half and one-eighth of the richer individual's income) is about 3.45 times that assigned to the richer (see Figure 2 in Capozza and Srinivasan, 2024). I interpret these categories as proxies for the typical labor and capital income earners, respectively. This is justified by the extreme concentration of capital income at the top of the income distribution (see e.g. Piketty et al., 2018, or Bruil et al., 2022).

The U.S. elicited welfare weight on labor, shown in purple in Figure 10, indicates that ω_L exceeds the neutrality threshold even if tax haven GDP gains were distributed to labor strictly in proportion to its factor share. Since these gains plausibly accrue primarily to capital (i.e., $\phi_L \leq s_{L,TH}$), these distributive preferences imply that the emergence of tax havens reduced global welfare.

Alternative distributive preferences can also be derived from the tax system, as in Hendren (2020) and Le Grand et al. (2025). While the approach of Capozza and Srinivasan (2024) is more direct and avoids political economy biases, these benchmarks help interpret our results. Hendren (2020) bounds welfare weight ratios between any two individuals below 2, while Le Grand et al. (2025) estimate maximum ratios of 2.6 in the U.S. and 4.4 in France. Under a lower bound of 2, tax havens are welfare-improving unless labor captures less than 25% of the gains while with a ratio of 2.6 tax havens are welfare-reducing whenever labor gains fall short of its share in total income. Overall, under most plausible distributive preferences and allocations of gains, tax havens appear welfare-decreasing.

6 Conclusion and discussion

This paper traces the emergence and consequences of tax havens by introducing a novel database documenting their legal development over the 20th century. By conceptualizing tax havens as suppliers in a global market for offshore services, the paper shows that legal reforms increase offshore activity, boost GDP in tax havens, and trigger changes of the tax structure in non-haven countries. Though, under plausible assumptions, the gains in tax havens do not compensate for the welfare losses in other countries. These findings highlight that the long-run consequences of tax havens' regulation extend beyond revenue recovery. They offer important insights for understanding the likely effects of current international efforts to regulate tax havens, such as the Common Reporting Standard (CRS) and

the Global Minimum Tax (GMT), and more globally of the dynamics of regulatory competition.

The CRS, introduced by the OECD in 2014, aims to reduce banking secrecy through the automatic exchange of banking information, targeting a foundational component of the offshore legal architecture of many tax havens. The GMT, that is currently being implemented under the OECD/G20 Inclusive Framework, aims to put a floor to the effective tax rate a multinational company can pay. Both policies target core features of the legal architecture of tax havens and will directly raise the cost of using them, potentially increasing the price and reducing demand for their services.

In the paper, I show that anti-tax havens reforms significantly decrease GDP per capita in targeted havens. The growth benefits that tax havens historically captured from supplying secrecy and avoidance services for MNEs should soon decrease (Gómez-Cram and Olbert, 2023 provide suggestive evidence that this is already the case in the context of the GMT). This can explain why, in response to the CRS, some tax havens have deepened their offshore legal architecture by implementing "high-risk" citizenship-by-investment schemes to circumvent the policy (OECD, 2022, Langenmayr and Zyska, 2023). [23] An unintended consequence of regulations that must be kept in mind by policymakers may be increased competition between tax havens and heightened aggressiveness in their own regulations, which can diffuse quickly across countries, as seen in the case of the IBCs regulations in the 1980s and 1990s.

Tax havens also have significant spillovers: countries more exposed to nearby tax havens shifted their tax structure by increasing the relative tax burden on labor. This reallocation preserved total tax revenue, at the cost of a more regressive tax mix. The CRS and the GMT might prevent such shifts by loosening the constraints on capital taxation in non-haven countries, potentially reversing some of the long-term pressures to increase labor taxation.

Finally, the concept of "legal architecture" introduced here offers a framework to understand how legal reforms can be a tool of international competition. This extends beyond taxation and can apply to other forms of regulatory competition in the areas of environmental or trade regulation. The results of the paper, that highlight the structural pressure that can lead to a race to the bottom, underscore the importance of global coordination to avoid negative spillovers.

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23. These reforms generate substantial government revenue for these states. According to Eastern Caribbean Central Bank data, in 2021, citizenship-by-investment schemes represented 9% of government revenues in Antigua and Barbuda (0% in 2014), 54% in Dominica (12% in 2014), 4% in Grenada (0% in 2014), and 51% in St. Kitts and Nevis (37% in 2014).

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Online Appendix

A Additional data sources

GDP, GDP per capita and population: Global Macro Database (Müller et al., 2025)

Colonial History: I first associate each territory with a status relative to its sovereign history. Each country or territory can be either independent, non-independent and a colony, or non-independent and not a colony. This last status is created to deal with specific cases treated differently by different databases about colonial history. For instance, the islands of Jersey and Guernsey, despite being under the actual control of the United Kingdom, are generally not considered as colonies. However, for the purpose of this paper, it is important to highlight their link with the United Kingdom. I use information from the Colonial Dates Dataset (Becker, 2020), the Cepii Gravity Dataset (Head and Mayer, 2014) and the ICOW colonial dataset (Hensel, 2018). The data is then manually completed when information is missing for a given territory using worldstatesmen.org, rulers.org, and wikipedia.org. The main colonial variable used in this paper record the last ruler of a territory (including its current ruler if applicable). It includes countries not generally considered as colonies, such as the Channel Islands.

Tax introductions: Tax Introduction Dataset (Seelkopf et al., 2021).

Gravity data: U.S. International Trade Commission Gravity Portal (release 2.1), Gurevich and Herman (n.d.).

Swiss Market for haven's services: Zucman (2013)

Fee revenues in Cayman Islands: Government of the Cayman Islands (2021)

Citizenship by investment revenues: Statistics portal of the Eastern Caribbean Central Bank (https://www.eccb-centralbank.org/statistics/fiscals/comparative-report/3).

Ideology of the Head of State: Brambor et al. (2017), available at https://heads-of-government.github.io/.

B Supplementary tables

Table A.1 – Comparing different lists of tax havens.

Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists
Bahamas	11	**Vanuatu**	10	**Monaco**	8	**Samoa**	6	Latvia	2	Campione	1	Nigeria	1
Bermuda	11	**Gibraltar**	9	**Nauru**	8	**Seychelles**	6	Madeira	2	Egypt	1	Northern Cyprus	1
Cayman	11	**Hong Kong**	9	**St Kitts & Nevis**	8	**Lebanon**	5	**Netherlands**	2	France	1	Palau	1
Guernsey	11	**Singapore**	9	**Andorra**	7	**Niue**	5	Philippines	2	Germany	1	Puerto Rico	1
Jersey	11	**St Vincent & the Grenadines**	9	**Anguilla**	7	**Macau**	4	South Africa	2	Guatemala	1	Russia	1
Malta	11	**Switzerland**	9	**Bahrain**	7	**Malaysia**	4	**Tonga**	2	Honduras	1	San Marino	1
Panama	11	**Turks & Caicos Islands**	9	Costa Rica	7	**Montserrat**	4	Uruguay	2	Iceland	1	Sao Tome e Principe	1
Barbados	10	**Antigua & Barbuda**	8	**Marshall Islands**	7	Maldives	3	**US Virgin Islands**	2	Indonesia	1	Sark	1
British Virgin Islands	10	**Belize**	8	**Mauritius**	7	United Kingdom	3	USA	2	Ingushetia	1	Somalia	1
Cyprus	10	**Cook Islands**	8	**St. Lucia**	7	Brunei	2	Alderney	1	**Jordan**	1	Sri Lanka	1
Isle of Man	10	**Grenada**	8	**Aruba**	6	Dubai	2	Anjouan	1	Marianas	1	Taipei	1
Liechtenstein	10	**Ireland**	8	**Dominica**	6	Hungary	2	Belgium	1	Melilla	1	Trieste	1
Netherlands Antilles	10	**Luxembourg**	8	**Liberia**	6	Israel	2	Botswana	1	Myanmar	1	Ukraine	1

Note: This table counts the number of tax havens lists in which each country is reported. Countries used in the sample of this paper are highlighted in **bold** font. The list of countries comes from table 1.4 of Palan et al. (2009). The eleven lists are the following: International Bureau of Fiscal Documentation (1977), Charles Irish (1982), Hines and Rice (1994), OECD (2000), IMF (2000), FSF (2000), FATF (2000,2002), TJN (2005), IMF (2007), STHAA (2007), Low-Tax.net (2008).

Table A.2 – Service Providers in the Pandora Papers

Provider	Records	Period	Founded	Jurisdictions
All About Offshore Limited	270,328	2002–2019	2007	Seychelles
Alemán, Cordero, Galindo & Lee	2,185,783	1970–2019	1985	Bahamas, Belize, British Virgin Islands, Cyprus, Dubai, Geneva
Alpha Consulting Limited	823,305	1996–2020	2008	Seychelles, UAE, Belize
Asiaciti Trust Asia Limited	1,800,650	1996–2019	1978	Singapore, Hong Kong, Cook Islands, Nevis, New Zealand, Panama
CCS Trust Limited	149,378	2001–2017	2005	Belize
CIL Trust International	459,476	1996–2019	1994	Belize, Seychelles
Commence Overseas Limited	8,661	2004–2017	1992	British Virgin Islands
Demetrios A. Demetriades LLC	469,184	1993–2021	1966	Cyprus
Fidelity Corporate Services Limited	213,733	1998–2019	2005	British Virgin Islands
Glenn D. Godfrey and Company LLP	189,907	1980–2019	2003	Belize
Il Shin	1,575,840	1996–2020	2004	Hong Kong, Vietnam, China
Overseas Management Company Inc	190,477	1997–2020	1961	Panama, Anguilla, Bahamas, Belize, BVI, Costa Rica
SFM Corporate Services	191,623	2000–2019	2006	Anguilla, Bahamas, Belize, BVI, Canada, Cayman Islands
Trident Trust Company Limited	3,375,331	1970–2019	1986	Bahamas, Barbados, BVI, Canada, Cayman Islands

Source: https://projects.icij.org/investigations/pandora-papers/charts/who-are-the-firms-at-the-heart-of-the-pandora-papers

Table A.3 – Sources and providers in the Offshore Leaks Database

Panel (a): Offshore Leaks Sources

Leak	Date	Sources (Offshore Providers or Corporate Registries)
Pandora Papers	Dec 2021 – May 2022	See Panel (b)
Paradise Papers	Nov 2017 – Feb 2018	Appleby (Nov 2017); Corporate registries: Aruba, Bahamas, Barbados, Nevis (Dec 2017), Cook Islands, Malta, Samoa (Feb 2018)
Bahamas Leaks	Sep 2016	Bahamas corporate registry
Panama Papers	May 2016	Mossack Fonseca (Panama law firm)
Offshore Leaks	Jun 2013	Portcullis Trustnet, Commonwealth Trust Limited

Panel (b): Pandora Papers Service Providers

Provider	Records	Period	Founded	Jurisdictions
All About Offshore Limited	270,328	2002–2019	2007	Seychelles
Alemán, Cordero, Galindo & Lee	2,185,783	1970–2019	1985	Bahamas, Belize, British Virgin Islands, Cyprus, Dubai, Geneva
Alpha Consulting Limited	823,305	1996–2020	2008	Seychelles, UAE, Belize
Asiaciti Trust Asia Limited	1,800,650	1996–2019	1978	Singapore, Hong Kong, Cook Islands, Nevis, New Zealand, Panama
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Trident Trust Company Limited	3,375,331	1970–2019	1986	Bahamas, Barbados, BVI, Canada, Cayman Islands

Source: ICIJ (2022) ancillary documents available at https://offshoreleaks.icij.org/pages/about and https://projects.icij.org/investigations/pandora-papers/charts/who-are-the-firms-at-the-heart-of-the-pandora-papers

Table A.4 – Correlation between Offshore Leaks and BIS data.

	(1)	(2)	(3)	(4)
	ln(BIS Deposits)			
ln(# UBO links)	1.128***	0.627***	0.434**	
	(0.230)	(0.180)	(0.171)	
ln(# links)				0.451***
				(0.110)
ln(Dist.)			-0.723***	-0.750***
			(0.191)	(0.135)
Observations	379	263	263	1,503
R-squared	0.146	0.902	0.921	0.812
Origin and Destination FE	No	Yes	Yes	Yes
Origin-source and Destination-source FE	No	Yes	Yes	Yes
Number origin countries	25	17	17	28
Number destination countries	18	11	11	21

Note: This table studies the correlation between the number of links from non-haven country i to tax haven j at date t in the Offshore Leaks database with BIS data on bilateral offshore deposits in country j from country i at date t, between 2003 and 2017. Data on BIS deposits comes from Menkhoff and Miethe (2019). In column (1), I add no fixed effects to the estimation. Columns (2) to (4), include it and jt fixed effects. Columns (1) to (3) are interested in beneficial ownership links only, while column (4) include all links measured from the Offshores Leaks. Robust standard errors clustered at the country-pair level in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table A.5 – Sample composition

Country	Global gap	Own gap	Growth gap SCM	Agri. lands
Figure	7	7	8a	9a
Anguilla	✓	✓	✓	
Antigua and Barbuda	✓			✓
Bahrain	✓	✓	✓	✓
Belize	✓	✓	✓	✓
Barbados	✓	✓	✓	
Cook Islands	✓	✓		
Cyprus	✓	✓	✓	
Dominica	✓	✓	✓	✓
Grenada	✓	✓	✓	✓
Ireland	✓	✓	✓	
Jordan	✓	✓	✓	✓
Saint Kitts and Nevis	✓	✓	✓	✓
Lebanon	✓			
Liberia	✓			
Saint Lucia	✓	✓	✓	✓
Macao	✓		✓	
Marshall Islands	✓	✓	✓	✓
Malta	✓	✓	✓	✓
Montserrat	✓	✓	✓	
Mauritius	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓
Nauru	✓			✓
Singapore	✓	✓	✓	✓
Seychelles	✓	✓	✓	✓
Turks and Caicos Islands	✓			✓
Tonga	✓	✓	✓	✓
St. Vincent and the Grenadines	✓	✓	✓	✓
U.S. Virgin Islands				✓
Vanuatu	✓			✓
Samoa	✓	✓	✓	✓
Total	29	22	22	21

Note: This table shows the tax havens included in the estimation samples of Figures 7, 8a, and 9a. The "Own gap" sample is shorter than the "Global gap" one because it necessitates observing GDP per capita 10 years before a country becomes a tax haven.

Table A.6 – Inclusion in the European Commission blacklist

Year	Countries Treated
2017	United Arab Emirates, American Samoa, **Bahrain**, **Barbados**, **Grenada**, Guam, South Korea, **Saint Lucia**, **Macao**, **Marshall Islands**, Mongolia, Namibia, **Panama**, Palau, Trinidad and Tobago, Tunisia, **Samoa**
2018	**Bahamas**, **Saint Kitts and Nevis**, **United States Virgin Islands**
2019	**Aruba**, **Belize**, **Bermuda**, **Dominica**, Fiji, Oman, **Vanuatu**
2020	**Anguilla**, **Cayman Islands**, **Seychelles**
2022	**Turks and Caicos Islands**
2023	**Antigua and Barbuda**, Costa Rica, *Russia*, **British Virgin Islands**

Note: This table shows the date each country is included in the European Commission blacklist. Russia, in *italic*, is excluded from the estimation sample. Countries in **bold** are the tax havens identified in this paper.

Table A.7 – Effects of exposure on offshore activity

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		New entities / Pop/10^6			Stock entities / Pop/10^6	New entities / Pop/10^6	
Offshore exposure	0.512***	0.524***	0.498***	0.104	5.707***	0.0155***	0.0104***
Clustered SE	(0.0817)	(0.0824)	(0.0844)	(0.757)	(0.487)	(0.00134)	(0.00105)
Spatial SE	[0.156]	[0.158]	[0.165]	[2.938]	[0.623]	[0.00576]	[0.00439]
$f(Dist_{ij})$			$\frac{1}{ln(Dist_{ij})}$			$\mathbb{1}_{Dist_{ij}<3500km}$	$\mathbb{1}_{Dist_{ij}<5000km}$
Observations	3,539	3,539	3,539	2,902	3,539	3,539	3,539
Standardized	0.0777	0.0796	0.0757	0.0363	0.867	0.0765	0.0473
5-years Lag	No	No	No	Yes	No	No	No
Lagged exposure control	No	No	No	Yes	No	No	No
Shock level Controls	No	No	Yes	Yes	Yes	Yes	Yes
Country-level Controls	No	Yes	Yes	Yes	Yes	Yes	Yes

Note: All specifications include the sum of shares interacted with time fixed effects as control variables. The standardized effect corresponds to the estimated coefficient multiplied by the standard deviation of the offshore exposure residualized with country and time fixed effects. In column (4), the specification controls for the lagged shock in $t-5$. Robust standard errors clustered at the shock level in parentheses. Spatial standard errors allowing for (linearly decreasing) spatial correlation in an area of 3500km (Colella et al., 2019) in brackets. This threshold approximately corresponds to the average distance between two countries in the same continent. Significance stars are based on the clustered standard errors. *** p<0.01, ** p<0.05, * p<0.1.

C Supplementary figures

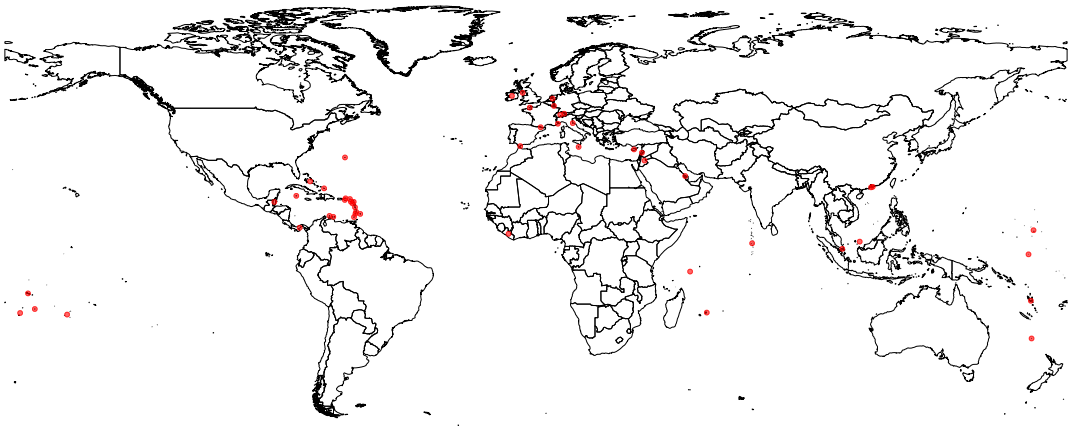


Figure A.1 – The location of contemporary tax havens.

Note: This map depicts tax havens nowadays. This list of tax havens is discussed in section 2 and presented in appendix Table A.1.

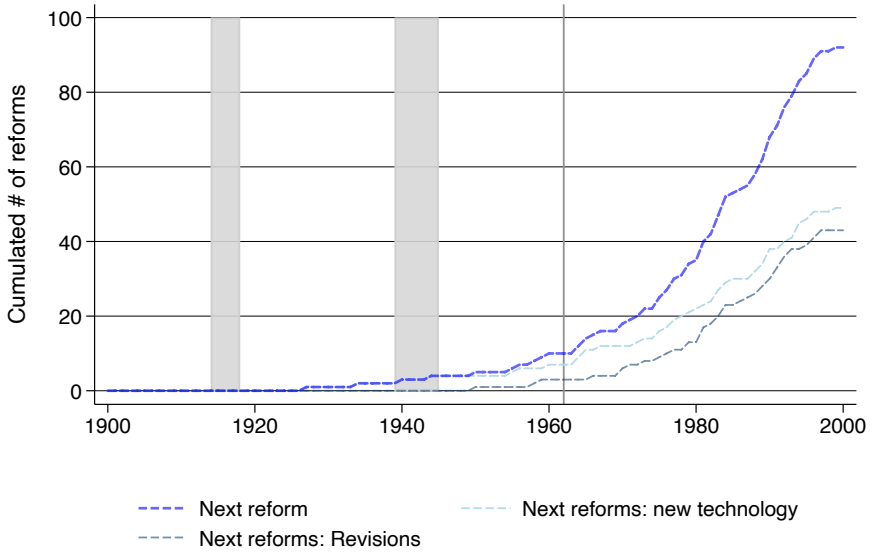


Figure A.2 – Rise of tax havens in the 20th century: decomposition by purpose

Note: This figure depicts the rise of tax havens in the 20th century distinguishing reforms introducing a new legal technology and those reinforcing an existing technology. Data on tax havens' reforms come from own data collection (see section 2). Shaded areas indicate the world wars and the vertical line (1962) the beginning of the independence wave in the U.K.-dominated Caribbean area.

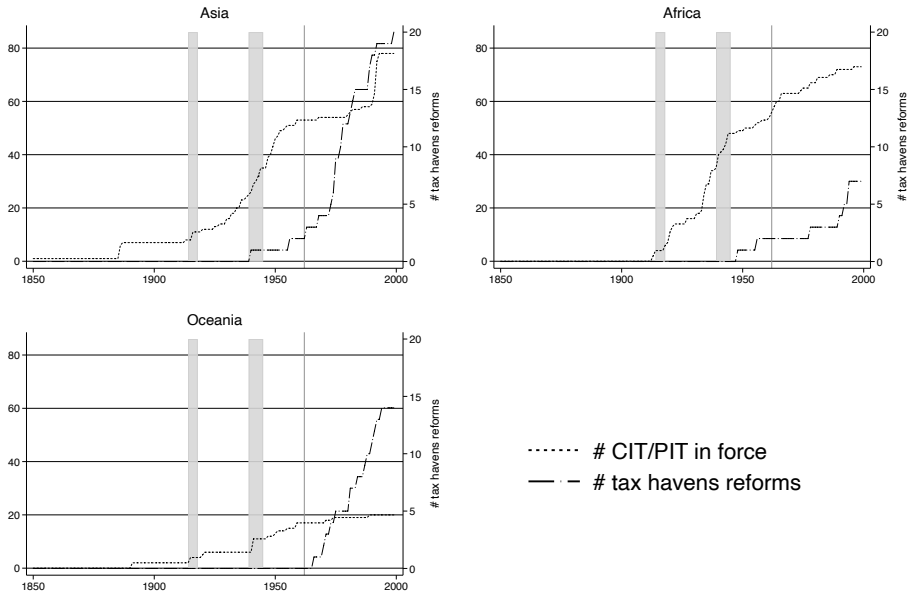


Figure A.3 – The building of tax havens' legal architecture and the rise of direct taxation (other regions)

Note: This figure plots the number of direct taxes (Corporate income taxes and Personal income taxes) introduced and the number of tax havens reforms for Africa, Asia, and Oceania. Data on the introduction of taxes comes from Seelkopf et al. (2021). Data on tax havens' reforms comes from own data collection detailed in section 2. Shaded areas indicate the world wars and the vertical line (1962), the beginning of the independence wave in the UK-dominated Caribbean area.

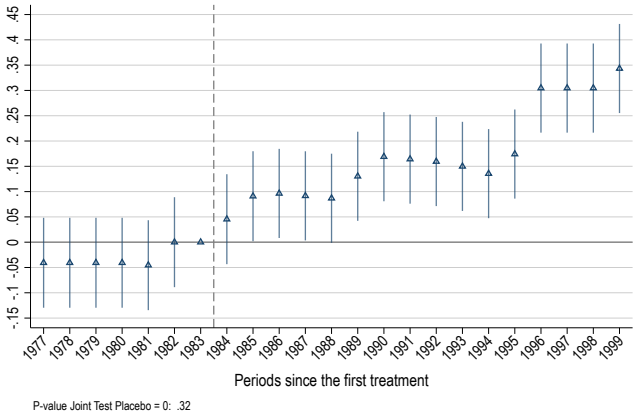


Figure A.4 – The diffusion of International Business Companies: Event study

Note: This figure plots coefficients from an event-study regression based on the following equation: $\#Reforms_{it}^{IBC} = \sum_{k=1977}^{1999} \delta_k \mathbb{1}_{BVIneighbor} + f_i + f_t + z_{it}$. The treated group is composed of countries having a distance with the British Virgin Islands lower than the first decile of distance between the BVI and other countries ($< 1529km$). The figure studies how the number of International Business Company reforms changes when the BVI introduced its IBC law in 1984. The control group corresponds to territories located further away from the BVI. 95% confidence intervals with standard errors clustered at the country level.

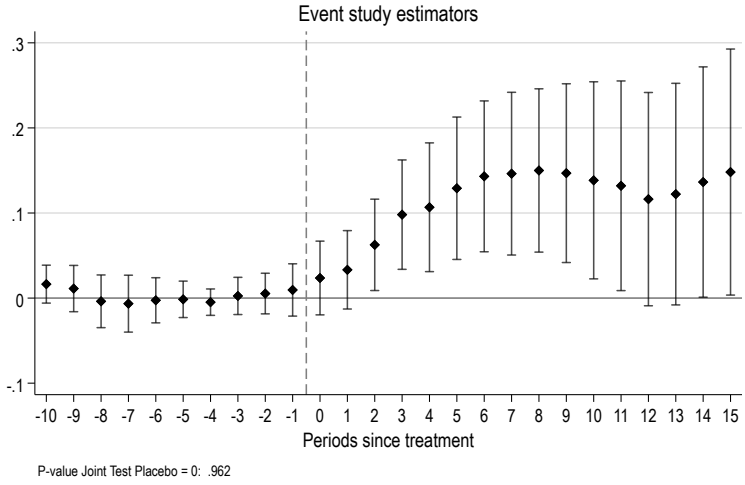
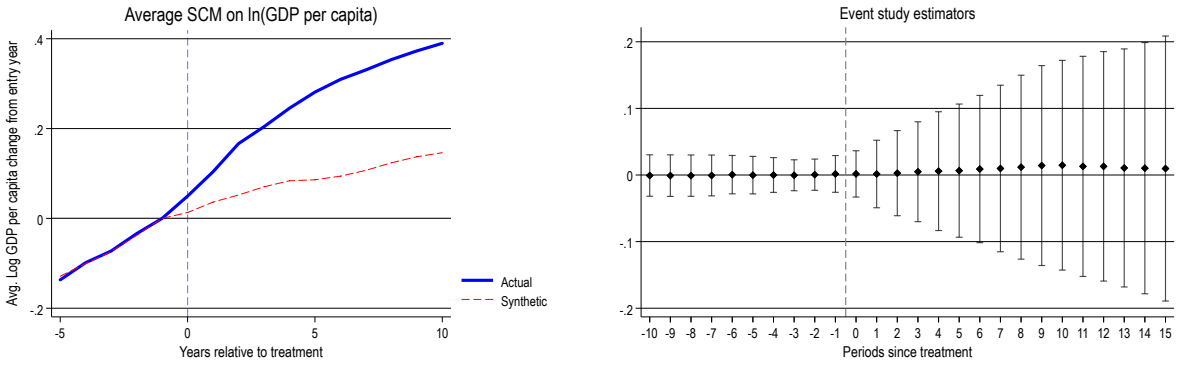


Figure A.5 – Effect of becoming a tax haven on GDP

Note: This figure plots coefficients from an event-study regression following equation 3 and estimated following Xu (2017) and Liu et al. (2022) using GDP as a dependent variable. 90% confidence intervals from bootstrapped standard errors (500 replications).



(a) Aggregated synthetic control methods (b) Placebo test

Figure A.6 – Effect of becoming a tax haven on GDP per capita: Robustness

Note: This figure evaluates the robustness of the results of Figure 9b: Panel (a) aggregates the path of synthetic control methods ran for each country, Panel (b) randomly allocates the tax haven history of real tax havens to placebo countries and plots the average estimate of equation (3) across 500 replications.

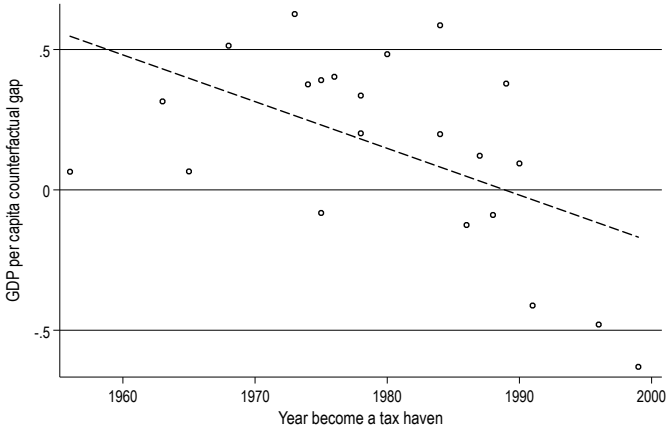
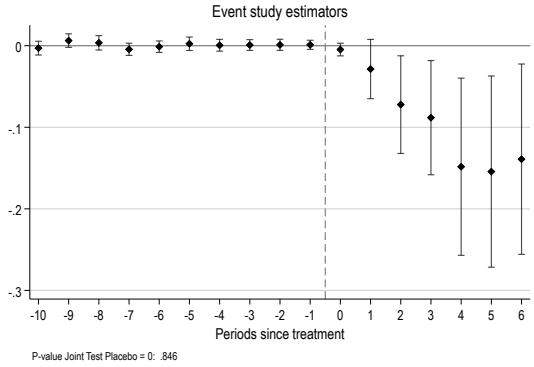
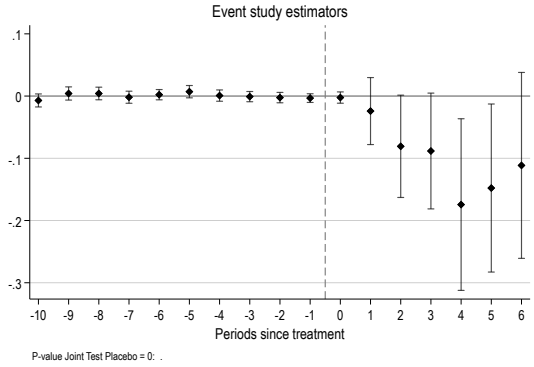


Figure A.7 – Determinants of the havens' growth gap: the role of entry date

Note: This figure shows the correlation the havens' growth gap, defined as the difference between the estimated counterfactual and the pbserved GDP per capita, and the date of entry as a tax haven.



(a) Effect of anti-tax haven policies: raw GDP per capita data



(b) Effect of anti-tax haven policies: restricted sample

Figure A.8 – Rise of tax havens in the 20th century

Note: This figure evaluates the robustness of the results of Figure 9b: Panel (a) uses raw GDP per capita data, not corrected to smooth the effect of Covid-19, Panel (b) restricts the estimation sample to countries identified as tax havens in this paper. The list of treated countries correspond to countries in bold in Appendix Tables A.6. The control group corresponds to never blacklisted tax havens.

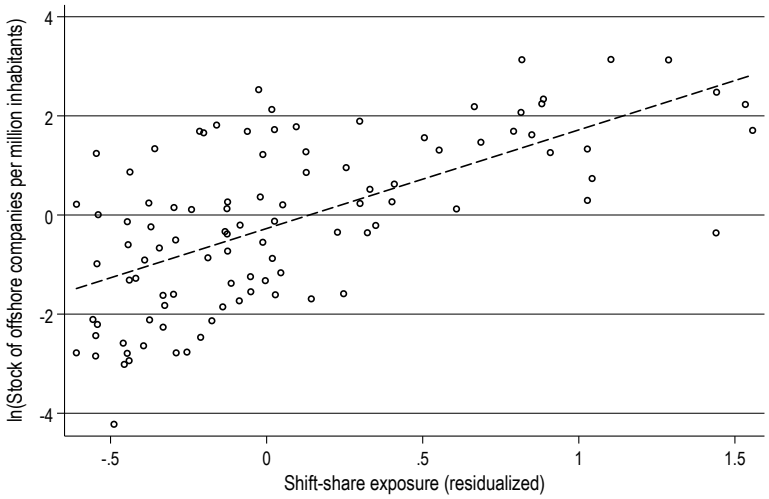
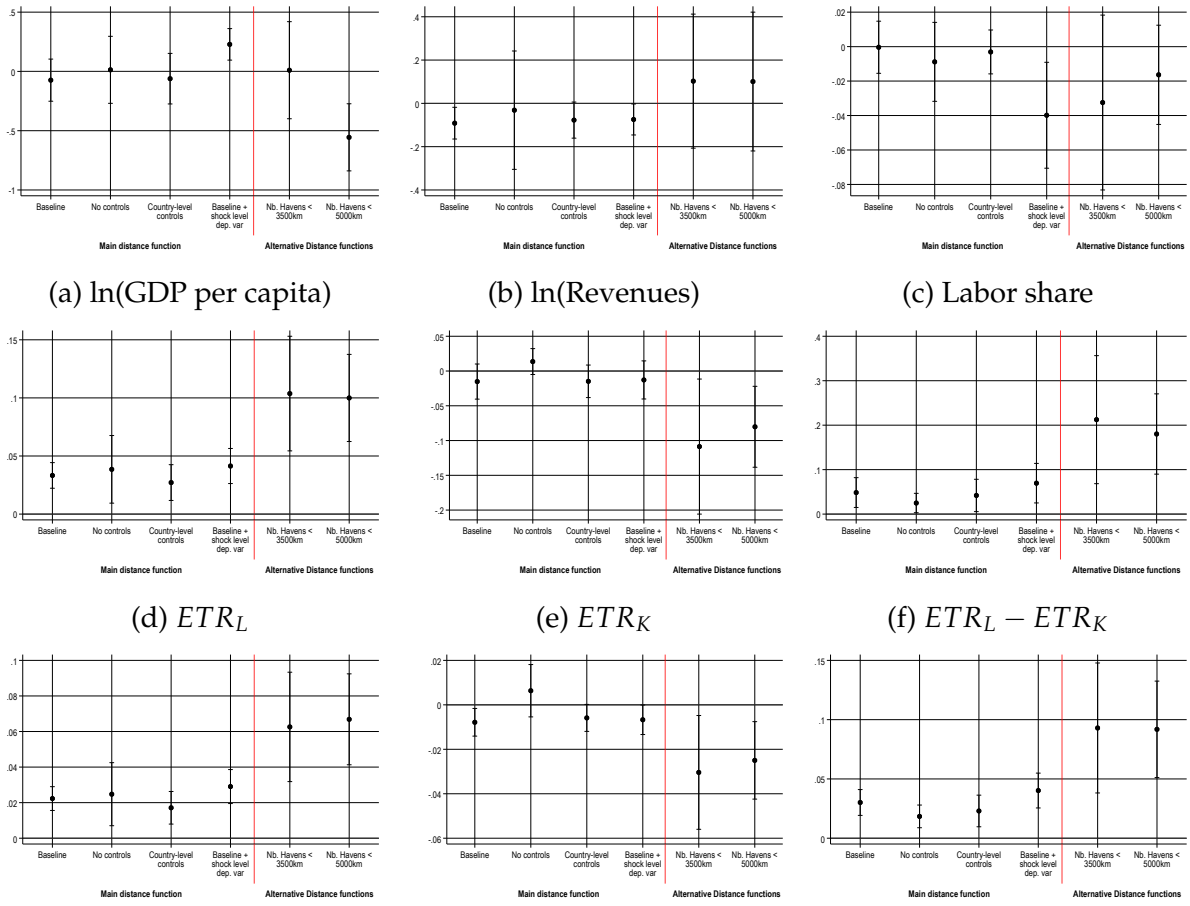


Figure A.9 – Effects of exposure on offshore activity: cross-section in 2000

Note: This figure shows the correlation in non-haven countries between offshore exposure (residualized to control for the sum of exposure share) and offshore activity measured by the number of offshore companies per capita. The figure focuses on the cross-sectionnal correlation in 2000.



(a) ln(GDP per capita) (b) ln(Revenues) (c) Labor share

(d) ETR_L (e) ETR_K (f) $ETR_L - ETR_K$

(g) τ_L (h) τ_K (i) $\tau_L - \tau_K$

Figure A.10 – Robustness tests

Note: These figures show the coefficient on the exposure to tax havens using alternative specifications for all variables in Table 7. Specifications follow columns (1) to (6) of Table 8. The first coefficient is coefficient reported in Table 7. The second coefficient has no controls except the sum of shares interacted with time fixed effects, the third coefficient only includes country-level, the fourth coefficient uses the baseline specification and adds a control for the dependent variable in foreign countries. The last two coefficients replicate the baseline estimate using alternative distance functions, namely the number of reforms in a circle of 3500km or 5000km. These coefficients have been multiplied by 100 to facilitate visualization. They are not directly comparable to the first four coefficients. 95% confidence intervals based on standard errors clustered at the shock-level.

D Decolonization and Offshore Reforms

This Appendix section explores in the links between colonial empires, particularly the British one, and tax havens. This topic is extensively discussed in the literature on the history of tax havens. Ogle (2017) argues that the connection between the colonial and offshore worlds is linked to the United Kingdom's lasting influence on its former colonies while other studies insist on the role of the common law system, originating in the UK and perceived to be more conducive of tax evasion and tax avoidance than civil law (see, for instance, Palan et al., 2009). In addition, some scholars have argued that the United Kingdom has encouraged these countries, at least indirectly, to become tax havens to reduce their need for development aid (Sagar et al., 2013, Ogle, 2017) although Sævold (2022) concludes that there was no strategic effort by the UK administration to create a network of tax havens. Nonetheless, other colonial powers such as France have been more reluctant to encourage this development choice (Rawlings, 2004, Woker, 2024). Finally, we can note that newly independent countries might have found a convenient specialization in the tax haven industry, which was predicated on a resource available to all countries: sovereignty (Slemrod, 2008).

The new data can help us explore these questions. I study the evolution of the offshore policies of countries following their independence from the UK. I estimate a dynamic difference-in-differences specification where the treated group is composed of countries experiencing decolonization and the control group of countries that become independent from another colonizer.

$$Reforms_{it} = \sum_{k=-7}^{15} \beta_k Independent\ from\ UK_{it}^{k} + \mu_i + \mu_t + \epsilon_{it} \tag{7}$$

where $Reforms_{it}$ cumulates the number of tax haven reforms made by country i at date t. $Independent\ from\ UK_{it}^{k}$ is a dummy variable equal to one for treated countries k years before or after they become independent from the UK. μ_i and μ_t are country and time fixed effects, and ϵ_{it} is the error term. The equation is estimated with the difference-in-differences estimator of de Chaisemartin and D'Haultfœuille (2024) to account for potential effect heterogeneity in a difference-in-differences setting with different treatment dates. [24]

A crucial identification assumption is the exogeneity of the decolonization process with regard to tax haven policies. In theory, a positive demand shock for tax haven services could simultaneously increase a country's probability of becoming a tax haven and probability of becoming independent. In reality, however, the timing of decolonization appears exogenous to the probability that the decolonized country becomes a tax haven. First, the timing of independence is uncertain,

24. I estimate a linear generalized difference-in-difference model here because it allows more flexibility in the settings with different treatment timings. Alternatively, Wooldridge (2023) proposes a nonlinear estimator that includes many interaction effects, making it hard for the model to converge in certain cases.

depending mostly on local and regional conditions, wars for independence, pro-independence protests, and negotiations with the colonizer. Sævold (2022) emphasizes that offshore policies and decolonization policies were "ad-hoc" and not "strategically planned".[25] Second, a country does not need to become independent for it to become a tax haven or implement offshore policies. Some territories became tax havens before independence (e.g., St. Vincent and the Grenadines), and some tax havens have never gained independence (e.g., the Cayman Islands). If the timing of independence were endogenous to the probability of a country's becoming a tax haven, we would expect to observe nonparallel pretrends. As we will see below, this is not the case.

In Figure A.11, I find that the number of offshore reforms passed by former U.K. colonies increases by approximately 0.15 units 10 years after becoming independent, in comparison to the number passed by territories that gained independence from a different colonizer. This effect is substantial given that the average number of reforms passed by countries in the sample is 0.17 (with a maximum of six). The absence of significant pretrends and the exogeneity of decolonization suggest that this is a causal effect.

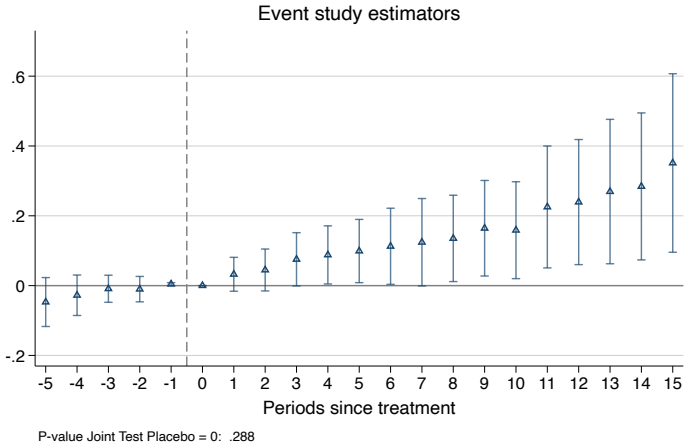


Figure A.11 – Tax havens and colonial empires: Event study

Note: This figure plots coefficients from an event-study regression following equation 7. I use the estimator proposed by de Chaisemartin and D'Haultfœuille (2024). The treated group is composed of UK colonies becoming independent. The figure studies how the number of offshore reforms changes with a country's independence. The control group corresponds to territories with a different colonizer. The average number of reforms in the sample is equal to 0.17. 95% confidence intervals with standard errors clustered at the country level.

To sum up, the shock of decolonization represents a sizable exogenous shock in U.K. colonies' offshore history, explaining the significant increase in the number of reforms from the 1960s.

25. Sævold (2022) writes, "The extent to which tax havens eventually spread through the Empire was not foreseen from the outset" (p.243) and "These factors further emphasize that tax haven formation in a British context was closely entangled with processes of independence, characterized by the *ad hoc* decisions that led to more independence, and were not strategically planned by the UK administration – quite the contrary." (p.252).

E The Swiss Market for Tax Evasion

This appendix studies whether the arrival of new tax havens substituted or complemented the already-existing tax havens.

The first challenge to answering this question is finding historical data about tax havens services' market size. To solve this issue, I use data from Zucman (2013) that collects fiduciary deposits in Switzerland by country of origin between 1976 and 2014 from the Swiss National Bank (SNB). Fiduciary deposits are deposits collected by Swiss banks and invested on behalf of their clients. As described by Zucman (2013), fiduciary deposits are used to avoid paying the 35% Swiss advance tax. [26] An interesting feature of this data is that the SNB records the origin of the last owner and does not see through conduit entities in tax havens. Consequently, it records investments made through tax havens from other places. Zucman (2013) argues that the majority of these investments are actually coming from European ultimate owners and are going to Switzerland through conduits in tax havens. Going through tax havens adds layers of secrecy between Swiss accounts and their actual owners. Assuming that the bulk of fiduciary deposits of tax havens corresponds to the use of sham corporations (such as IBCs for instance), an increase in the share of fiduciary deposits from tax havens corresponds to an increase in tax havens' market size for the Swiss market. The Swiss market is one of the largest ones for individuals' tax avoidance: according to Zucman (2013) it represented 34% of all offshore financial wealth in 2008 and it was probably even larger before this date (Alstadsæter et al., 2018). An increase in the share of fiduciary deposits from a given tax haven corresponds to an increase in market share from this tax haven in the Swiss offshore market.

Figure A.12 plots the market size of tax havens and decomposes it between countries that become tax havens before 1960 and countries that become tax havens after this date. This year represents the moment of the entry of new tax havens following decolonization (see Figure 3). These tax havens will develop their activity gradually during the end of the 20th century. We observe that the global size of the tax haven market in the Swiss place has been increasing over the period, especially since the beginning of the nineties. The share of the older tax havens has been oscillating around 30% of all deposits with a little upward trend since the nineties.

Importantly, the market share of new tax havens has constantly been increasing, reaching the level of old tax havens after 2010. This increase in the share of new tax havens is not associated with a sharp decrease in the share of old tax havens, indicating that substitution between new and old tax havens should have been limited. On the contrary, the total market share of tax havens in Switzerland, proxied by the thick black line, has constantly increased. We can conclude from

26. More precisely, any interest received on fiduciary deposits are considered as paid by foreigners. The bank acts as "fiduciary". This feature then creates a tax exemption. Fiduciary deposits represent one quarter of all foreign holdings in Switzerland in 2008.

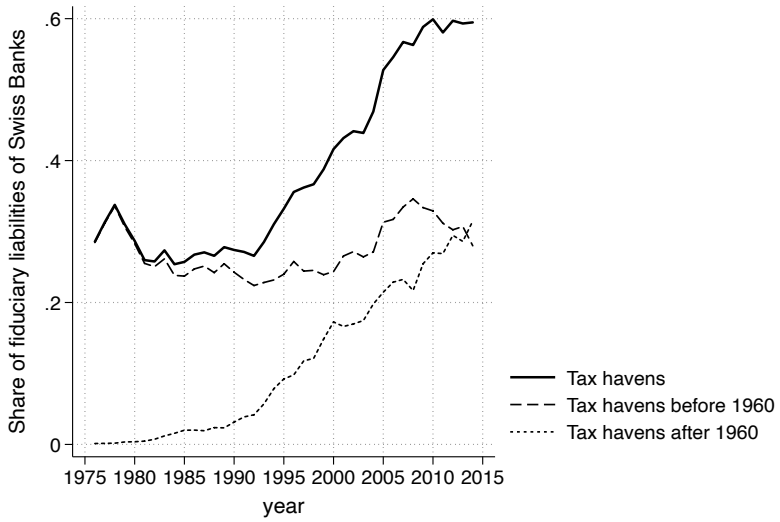


Figure A.12 – The Swiss Market for tax havens' services

Note: This figure plots the share of fiduciary liabilities of Swiss banks by the origin country of the direct owner. Fiduciary deposit data is from Zucman (2013) which collects fiduciary deposits in Swiss by origin from the Swiss National Bank (SNB). Fiduciary deposits are deposits collected by Swiss banks and invested on behalf of their clients. They are used to avoid paying some Swiss taxes. The SNB records the last owner's origin and does not see through conduit entities in tax havens. Data on tax havens' reforms comes from own data collection detailed in section 2. The category "Tax havens" includes all tax havens covered in the SNB dataset. This represents the market share of tax havens in Swiss fiduciary deposits. "Tax havens before 1960" includes entities that become tax havens before 1960: Andorra, Netherlands Antilles, Bahamas, Bermuda, Cayman Islands, Honk-Kong, Isle of Man, Ireland, Jersey, Lebanon, Liberia, Liechtenstein, Luxembourg, Monaco, Netherlands, and Panama. "Tax havens before 1960" includes entities that become tax havens after 1960: Aruba, Antigua and Barbuda, Bahrain, Belize, Barbados, Cyprus, Dominica, Guernsey, Gibraltar, Grenada, Jordan, Saint Kitts-and-Nevis, Saint Lucia, Macao, Marshall Islands, Malta, Mauritius, Malaysia, Nauru, Singapore, Seychelles, Turks and Caicos Islands, Tonga, Saint Vincent-and-the-Grenadines, Virgin British Islands, Vanuatu, and Western Samoa.

this graph that there is a positive correlation between the entry of new tax havens since the sixties and the increase in the market size of tax havens. In other words, the entry of new tax havens has contributed to the increase in the market size of tax havens. It must also be noted that the increase in the share of fiduciary deposits held in Switzerland is positively correlated with the increase in offshore entities recorded in the Offshore Leaks (see Table A.8).

Table A.8 – Offshore entities and fiduciary deposits.

	(1)	(2)	(3)
		ln(Fiduciary deposits)	
ln(Number entities)	0.392***	0.574***	0.440***
	(0.129)	(0.0728)	(0.129)
Observations	743	287	404
R-squared	0.902	0.931	0.932
Sample		IBC reform	Other exempt reform
Country and year FE		Yes	Yes

This table display the results of the estimation of the following equation: $ln(Fiduciary\ deposits_{it}) = \kappa_1 ln(Number\ entities_{it}) + a_i + a_t + u_{it}$. $Fiduciary\ deposits_{it}$ correspond to Swiss fiduciary deposits coming from country i at date t, $Number\ entities_{it}$ corresponds to the number of offshore entities recorded in the Offshore Leaks in country i at date t, a_i are country fixed effects, a_t are year fixed effects and u_{it} are the residuals. "IBC reforms" stands for countries that have implemented IBC reforms. "Other exempt reform" stands for countries that have implemented other exempted company reforms. Robust standard errors clustered at the country level in parentheses.*** p<0.01, ** p<0.05, * p<0.1

F Supplement to Fact 3

From reforms to service provision To investigate whether the provision of tax havens services follows new reforms, I use tax haven level panel dataset of the Offshore Leaks database described in Section 2. Entities are seen as a proxy for the provision of offshore services. For this exercise, I concentrate only on reforms that aim at allowing for the registration of International Business Companies. This is the type of legal technology that corresponds best to the entities registered in the database. The cumulated number of entities in a country can be zero before a reform happens. This feature of the data prevents me from using a log transformation. Both the intensive and the extensive margin of the provision of offshore services bring important information for this exercise. In this robustness exercise, I follow Chen and Roth (2024) to transform my independent variable meaningfully. They propose to explicit the trade-off between the intensive margin and the extensive margin in the study of variables with zero values. The dependent variable is defined as follows:

$$m^x(Entities) = ln(Entities) \times \mathbb{1}_{Entities>0} + (-x) \times \mathbb{1}_{Entities=0}$$

with x that calibrates the trade-off between the extensive and the intensive margin. In this setting, a change of the number of entities registered in a tax haven from 0 to 1 is worth a $100x$ increase in the number of entities. Different values of x are used to accommodate different trade-offs between the two margins.

I estimate the following event-study regression:

$$m^x(Entities)_{jt} = \sum_{k=-10}^{15} \zeta_k IBCjt^k + u_j + u_t + v_{ij} \tag{8}$$

where $Haven_{jt}^k$ is a dummy variable equal to one for treated countries k years before or after it becomes a tax haven. u_j and u_t are country and time fixed effects and v_{jt} is the error term. The control group corresponds to tax havens that have never enacted any International Business Company reform. The equation is estimated using the using the estimator of de Chaisemartin and D'Haultfœuille (2024) to account for potential heterogeneous effects in a generalized difference-in-difference setting with different treatment dates. Figure A.13 illustrates the impact of IBC reforms on offshore service provision. IBC reforms appear efficient in terms of entity incorporation. Following the reform adoption, the number of offshore entities recorded in the Offshore leaks data increases approximately by 200% after 10 years, and is very similar across the different specifications. The effect appears immediately after the reform and increases during the next years. Estimates before the treatment are very close to zero and not statistically significantly different from zero. This figure shows that tax-haven reforms, in the context of IBC incorporation at least, materialize into an increase in the provision of tax haven services.

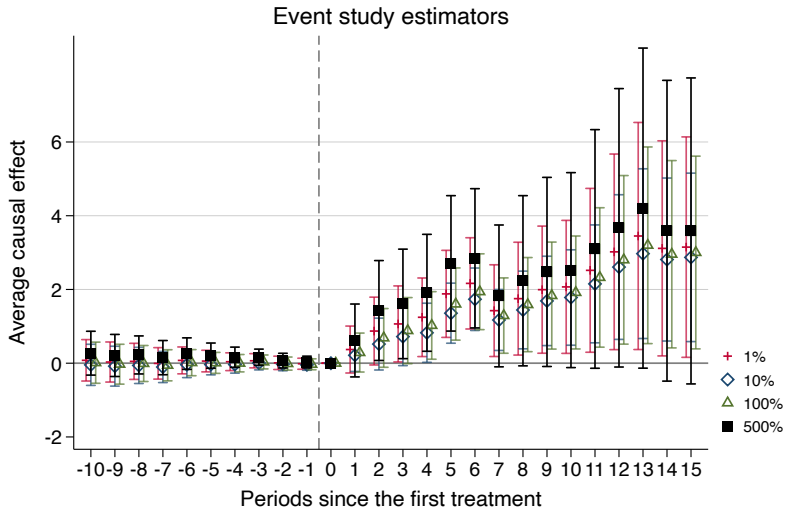


Figure A.13 – "International Business Companies" reforms and tax havens services: Event study

Note: This figure plots coefficients from four event-study regressions following equation 8 estimated using the estimator of de Chaisemartin and D'Haultfœuille (2024). The equation is estimated for different values of x, that calibrates the trade-off between the extensive and the intensive margin of the dependent variable. A change of the number of entities registered in a tax haven from 0 to 1 is worth a $100x$ increase in the number of entities. The treated group is composed of tax havens introducing "International Business Companies" reforms. It studies how the number of offshore entities registered in a tax haven changes when the country enacts a new IBC reform. The dependent variable has been transformed following Chen and Roth (2024) to keep zeros in the estimation. The control group corresponds to tax havens that have never enacted any exempt company reform. 95% confidence intervals from clustered standard errors.

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Online Data Documentation

The Historical Tax Haven Database (HTHD) collects information on the key regulations that made countries tax havens. It is based on the idea that to become a tax haven a country has to build an *offshore legal architecture*. In other words, the existence of specific legal technologies is necessary to the tax haven activity of a territory as it provides stability and predictability to its users. This dataset collects the date when these legal technologies are introduced through new regulations. It allows to track the offshore activity of tax havens over time, providing unique time-variation in the tax haven status of many countries. Table A.1 is a reproduction of table 1 of Laffitte (2024) that describes the different types of legal technologies collected in the database.

Which tax havens are included in the database? There exists several lists of tax havens that can serve as a point of departure for the collection of information. All these lists generally agree on a core set of tax havens and then are more are less conservative according to their definition of tax havens and their specific focus. This database is based on the list of tax havens of Dharmapala and Hines (2009). To this list, I added the Netherlands and Malaysia, which have been considered as tax havens but are not included in their list. I did not include Belgium due to conflicting information on its role as a tax haven. Watteyne (2022) argues that the history of Belgium as a tax haven stopped after WWI. I did not include U.S. States such as New Jersey or Delaware either. These states have mainly been considered as local tax havens (see for instance Dyreng et al., 2013) even though this might be changing. Palan et al. (2009) has created a meta-list of tax havens aggregating 11 different sources. Table A.2 compares this list to the list of tax havens included in my sample. Except for Costa Rica, which is absent from the list of this database, it covers all tax havens mentioned in at least 4 of the 11 sources.

Which reforms are included in the database The goal of this database is to record the important legislative events that made countries tax havens. It is constructed based on the idea that a country needs to develop its legal architecture to become a tax havens (see Laffitte, 2024 for details). This idea implies that only events that are substantially and structurally affecting the legal architecture of a country must be recorded in the database. Conjonctural adjustment to the legal architecture are out of the scope of this database.

This process of data collection involves making choices about the reforms to retain in the database. Thus, it contains a part of subjectivity. To provide transparency in the data collection process, I describe for each country which reforms were retained in the database and their source.

Table A.1 – Types of legal technologies

Category	Legal Technology	Description	Examples
Individual 38 reforms	- Trust laws	Allow legal disconnection between asset use and ownership	*Turks and Caicos Islands' Trust Ordinance 1990*
	- Other	Tax abolition for instance	*Monaco's Abolition of personal income taxes 1869*
Corporate 37 reforms	- MNE	Attraction of MNEs activities and profits	*Ireland's Export Profits Tax Relief 1956*
	- Holding	Special regimes for holding companies	*Luxembourg's Loi sur le régime fiscal des sociétés de participations financières (Holding companies) 1929*
	- Offshore Insurance and Captives	Self insurance allowing revenue transfers to tax havens	*Barbados' Exempt Insurance Act 1983*
	- Flag of convenience	Limited regulations and tax rates for ships registered in an offshore maritime registry.	*Panama's Law/63 on foreign Ships Registration*
Dual 65 reforms	- IBC	Tax-neutral companies with no domestic activities and limited legal requirements	*British Virgin Islands' International Business Companies Act 1984*
	- Other exempt companies	Similar as IBC	*Jersey's 1940 Corporation Tax Law*
Banking 38 reforms	- Offshore banking	Unregulated banks with limited taxation and legal requirements	*Anguilla's Banking Ordinance, 1991*
	- Bank secrecy	Protects account holders from investigations	*Switzerland's Banking Act, 1934*
Other 16 reforms	- Tax treaties	Limit bilateral taxation, allow conduit entities to benefit from treaties	*Netherlands Antilles' tax treaty with Netherlands (Belastingregeling Koninkrinjk) 1964*
	- Specific regulations	Country-specific rules, not classified elsewhere.	*Bahamas' Hawksbill Creek Agreement 1955*

Note: This table classifies reforms by legal technologies and broad categories. The number displayed after the category name counts the number of reforms that have been adopted in each category at the end of the sample in 2000. The total exceeds the number of reforms recorded in the database as some reforms belong to several categories.

Table A.2 – Comparing different lists of tax havens.

Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists	Country	Lists
Bahamas	11	**Vanuatu**	10	**Monaco**	8	**Samoa**	6	Latvia	2	Campione	1	Nigeria	1
Bermuda	11	**Gibraltar**	9	**Nauru**	8	**Seychelles**	6	Madeira	2	Egypt	1	Northern Cyprus	1
Cayman	11	**Hong Kong**	9	**St Kitts & Nevis**	8	**Lebanon**	5	**Netherlands**	2	France	1	Palau	1
Guernsey	11	**Singapore**	9	**Andorra**	7	**Niue**	5	Philippines	2	Germany	1	Puerto Rico	1
Jersey	11	**St Vincent & the Grenadines**	9	**Anguilla**	7	**Macau**	4	South Africa	2	Guatemala	1	Russia	1
Malta	11	**Switzerland**	9	**Bahrain**	7	**Malaysia**	4	**Tonga**	2	Honduras	1	San Marino	1
Panama	11	**Turks & Caicos Islands**	9	Costa Rica	7	**Montserrat**	4	Uruguay	2	Iceland	1	Sao Tome e Principe	1
Barbados	10	**Antigua & Barbuda**	8	**Marshall Islands**	7	Maldives	3	**US Virgin Islands**	2	Indonesia	1	Sark	1
British Virgin Islands	10	**Belize**	8	**Mauritius**	7	United Kingdom	3	USA	2	Ingushetia	1	Somalia	1
Cyprus	10	**Cook Islands**	8	**St. Lucia**	7	Brunei	2	Alderney	1	**Jordan**	1	Sri Lanka	1
Isle of Man	10	**Grenada**	8	**Aruba**	6	Dubai	2	Anjouan	1	Marianas	1	Taipei	1
Liechtenstein	10	**Ireland**	8	**Dominica**	6	Hungary	2	Belgium	1	Melilla	1	Trieste	1
Netherlands Antilles	10	**Luxembourg**	8	**Liberia**	6	Israel	2	Botswana	1	Myanmar	1	Ukraine	1

Note: This table counts the number of tax havens lists in which each country is reported. Countries used in the sample of this paper are highlighted in **bold** font. The list of countries comes from table 1.4 of Palan et al. (2009). The eleven lists are the following: International Bureau of Fiscal Documentation (1977), Charles Irish (1982), Hines and Rice (1994), OECD (2000), IMF (2000), FSF (2000), FATF (2000, 2002), TJN (2005), IMF (2007), STHAA (2007), Low-Tax.net (2008).

A Sources

The main sources are:

- Chambost (2000): Chambost, Guide Chambost des paradis fiscaux, Favre, 7th edition, 1999 (hereafter GC).

This book is constructed as a guide for tax havens' users. It is written by Edouard Chambost, a Swiss lawyer specialized in tax avoidance schemes. It has been published in 8 editions from 1977 to 2005. It proposes a description of tax havens along many dimensions including the regulatory one.

- Beauchamp (1992): Beauchamp, Guide Mondial des Paradis Fiscaux, Grasset, 8th edition, 1992 (hereafter AB).

  This book is similar to Chambost (2000).

- Palan et al. (2009): Palan, Murphy and Chavagneux, Tax havens - How globalisation really works, Cornell University Press, 2010 (hereafter PMC).

This book is a very complete assessement of the activity of tax havens around the world. Particularly two chapters describe the history of tax havens. It also provides important bibliographic references about the offshore history of several countries.

- Doggart (1975): Doggart, Tax Havens and their uses, Economist Intelligence Unit, 1975.

This book proposes a general and country-specific description of tax havens along many dimensions, including the regulatory one.

In addition to the main sources, I use a variety of alternative sources to corroborate specific dates, add reforms not mentioned in the primary sources, and gain a broader understanding of the legal structures of tax havens. These sources include:

- **Tax haven guidebooks:** Other tax haven guidebooks such as Starchild (1994), Barber (2007) have been used.
- **Tax Justice Network (TJN)**: The TJN website provides a comprehensive description of tax and financial sector regulations for a wide range of countries. These reports, known as "Narrative Reports", were originally compiled for the construction of the Financial Secrecy Index. Unfortunately, these reports are no longer available on the TJN website, but they can be accessed through the Internet Archive.
- **Documentation from Offshore Service Providers**: Companies specializing in offering offshore services, such as Trident Trusts or Palladium Trusts, often provide extensive documentation about the legal frameworks of various countries for their clients. This documentation can be valuable resources for constructing the database and confirming the timing of some reforms.

- **Offshore Industry Websites**: Specialized websites like lowtaw.net, Mondaq, or The Offshore Guide describe tax havens' offshore industry and provide insights into their legal structures.
- **Official Sources**: Official government websites and publications often contain relevant information about tax reforms and updates to legal frameworks. Corporate registries, in particular, can be valuable sources of information through their promotional materials.
- **Publications by International Organizations**: International organizations like the IMF and the WTO often conduct assessments of national tax and financial policies and provide valuable information regarding the legal architecture of tax havens.
- **Scholarly Articles**: Scholarly articles, particularly those focusing on specific countries or groups of countries, can offer in-depth analyses of the legal and regulatory aspects of tax havens.

Note that several sources cited in this description are Internet websites. Internet URLs are notoriously dynamic and may become inaccessible over time. Consequently, some of the links provided may no longer be functional. However, users can access archived versions of these websites through the Internet Archive (https://archive.org/). Additionally, I have archived the websites visited at the moment when they displayed the information used in this database. These files are accessible upon request.

B Country-by-country description

Andorra The main sources do not provide any date for Andorra. According to the TJN, Andorra transformed into a regional financial center in 1951, marked by the significant decision to eliminate all taxes on banking operations. Supporting this historical shift, the International Monetary Fund (IMF) further corroborates the transformative year in their "Assessment of Financial Sector Supervision and Regulation" in 2007 (International Monetary Fund, 2007). This pivotal reform is categorized as a *Banking* reform.

In addition, while Andorra does not facilitate the easy establishment of offshore companies, it has been historically recognized as a tax haven. This characterization is attributed to its notably low taxation policies and the absence of information exchange until 2009.

Anguilla According to GC, a set of laws that came into force in 1995 transformed Anguilla into a true tax haven. However, even before this date, numerous offshore corporations were established in Anguilla. The date of 1995 can be attributed to the *Anguilla International Business Companies Ordinance*.

The TJN attributes Anguilla's tax haven status to 1991, stating: "While Anguilla prohibits anonymous accounts, continues to seek offshore financial business, offering business and tax structures and company formation which allow some degree

of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors." The date of 1991 aligns with the *Offshore Bank and Trust Companies Ordinance*. This assertion is corroborated in USA IBP (2017).

In addition, GC notes that the trust law of Anguilla was modeled after Belize's 1992 trust law, while the law governing "trading companies offshore" was derived from those of the British Virgin Islands and the Bahamas.

Hines and Rice (1994) included Anguilla in their classification of tax havens, while Beauchamps (1983) also recognized Anguilla's status. This designation may be attributed to the lack of individual or corporate direct taxation in Anguilla, although there is insufficient evidence to identify a key reform prior to 1991.

Antigua and Barbuda Based on English common law, Antigua and Barbuda has a long-standing tradition of bank secrecy, as recognized by both GC and the TJN. This tradition was further strengthened in 1982 with the enactment of the *Bank and Trust Confidentiality Act*, which enshrined the principle of bank secrecy.

According to GC, some legislation governing international business companies (IBCs) was introduced in the 1960s, but these early efforts were not particularly successful. The specific law referred to is the *The International Business Companies (Exemption from Income Tax) Act* of 1967 (see for instance global-regulation, n.d.).

This initial legislation was followed by the more comprehensive *International Business Corporation Act* of 1982, which provided a more robust framework for IBCs. [27] Subsequent amendments to this Act in 1984 and 1985 further enhanced the attractiveness of Antigua and Barbuda as an offshore financial center, according to GC and the TJN. GC also notes that personal income taxes were abolished in 1977, further contributing to the country's appeal for offshore financial activities.

Given the lack of detailed information regarding the specific impact of the 1984 and 1985 amendments, it is reasonable to focus on the key dates of 1967, 1977, and 1982. These milestones mark significant developments in Antigua and Barbuda's legal framework for IBCs and personal income taxation, shaping the country's evolution as an offshore financial hub.

Aruba Aruba formed part of the Netherlands Antilles until 1986. It enters the dataset at this time. According to GC (GC), Aruba was primarily used as a conduit for the "Dutch Sandwich" strategy before 1988. This strategy, which involves routing financial transactions through Aruba to benefit from lower tax rates in the Netherlands, was facilitated by the Double Taxation Treaty between the Netherlands and Aruba, signed in 1964. This treaty corresponds to the *RIJKSWET van 28 oktober 1964, houdende Belastingregeling voor het Koninkrijk* (article 11 in particular). This is also noted by van Beurden and Jonker (2021).

In 1988, Aruba enacted a law designed to compete with Panama's zero-tax regime, establishing the *Aruba Tax Exempt Companies (AVV)*. This legislation at-

27. Law number 28, also confirmed by Offshore Company (n.d.-a)

tracted a significant influx of companies seeking to exploit Aruba's favorable tax structure. The 1988 law is also mentioned by other sources, such as the Aruba tourism agency (Visit Aruba, n.d.).

The TJN dates Aruba's emergence as a secrecy jurisdiction to 1945, but it does not provide specific justifications. However, the TJN notes that Aruba's autonomy in 1986 coincided with a government initiative to develop the island as a financial center, fueled by favorable tax laws and the Belastingregeling voor het Koninkrijk (BRK) 2, a treaty with the Netherlands that effectively functions as a tax treaty.

Bahamas The Bahamas has a long history of tax-free status, with no corporate or personal income taxes levied since 1717, as noted by AB. According to PMC, the country's transformation into a tax haven began in the 1930s, when holding companies were established in the Bahamas.

A significant turning point came in 1955 with the signing of the Hawksbill Creek Agreement, which established a free trade zone in Freeport, exempting businesses from taxes until 1980, later extended to 2054 (Wikipedia, 2023). This agreement was crucial in attracting investment and solidifying the Bahamas' position as a tax haven (The Tribune, 2015). While PMC does not explicitly mention the Hawksbill Creek Agreement, they do discuss the Bay Street Boys, who played a central role in negotiating the agreement. I keep this date as it is a political decision that is noted by many sources and that is key to understand the offshore history of Bahamas. It is classified in the *Other* type of reforms.

The implementation of bank secrecy measures comparable to those in Switzerland in 1965 marked another milestone in the Bahamas' evolution as a tax haven (TJN). The *The Banks & Trust Companies Regulations Act, 1965* established strict confidentiality rules, fostering an environment conducive to tax avoidance. By the 1970s, the Bahamas had become one of the world's leading tax havens.

GC further corroborates this timeline, noting that the introduction of "non-resident societies" in 1965 further facilitated the country's status as a tax haven. Additionally, GC highlights the year 1990, when International Business Companies (IBCs) are introduced, as a significant development. IBCs, characterized by their ease of formation, anonymity, and tax-free status, quickly became a popular tool for offshore financial activities. The *International Business Companies Act of 1989* formalized the establishment of IBCs in the Bahamas and updates the previous law of 1965, less and less effective according to GC.

According to AB, the *Merchant Shipping Act* of 1976 played a crucial role in establishing the Bahamas as a flag of convenience, attracting foreign-owned ships seeking to register under the Bahamas' favorable tax regime. This designation is further supported by Mondaq (2012).

AB notes that the *Merchant Shipping Act* of 1976 helped to make Bahamas a flag of complaisance. This is also confirmed by a Mondaq publication. [28]

28. https://www.mondaq.com/marine-shipping/193420/advantages-of-registering-a-vessel-under-the-bahamian-flag

Barbados Barbados' designation as a tax haven stems from its favorable regulatory environment for international business companies (IBCs), as noted by AB. In 1977, a significant reform of the IBC regime made it more liberal than in other jurisdictions. The *Offshore Banking Act* of 1979 further enhanced Barbados' attractiveness as a tax haven by establishing offshore banks with a limited tax rate.

While GC suggests that the first IBC legislation dates back to 1960 and was amended in 1991. Both these dates are not corroborated by other sources. Trident Trust indicates that the first IBC regulation was enacted in 1965 (*Barbados International Business Companies (Exemption from Income Taxation) Act*), a date also supported by Zagaris (1981). Zagaris (1981) further confirms the significance of the 1977 IBC reform, stating that it "breathed a new life" (p. 676) into the IBC regulations.

GC incorrectly dates the offshore banking act to 1972. The correct date is 1979, as confirmed by AB, Zagaris (1981), and Carmichael (1992, 1995). GC identifies the importance of the *Exempt Insurance Act* of 1983 for captive insurance, a type of insurance commonly used in offshore jurisdictions. This date is also supported by the Barbados Financial Services Commission's website (Barbados Financial Service Commission (n.d.)) and Carmichael (1992).

Carmichael (1992) further highlights the Foreign Sales Corporation Act of 1984 as a significant component of Barbados' offshore infrastructure. Additionally, Alleyne (1986) notes that Barbados emerged as a flag of convenience in 1982 following the *Shipping Act* of 1981.

Bahrein In an effort to compete with the offshore financial system of Singapore, Bahrain "initiated a policy of licensing offshore banking units" in 1975 according to PMC. GC dates this law from 1973. He further points to the 1978 *Exempted Joint Stock Companies* law, which enabled the formation of companies exempt from Bahrain's local tax rates. The TJN indicates that the Bahrain Monetary Authority was established in 1973 and that offshore banking units were authorized in 1975. This date is corroborated by Gerakis and Roncesvalles (1983) and AB. I select the date of 1975 which is more backed in the sources.

According to a handbook on company law in the Middle East (USA, 2011), Bahrain's exempt joint stock companies were established through Ministerial Order 25 of 1977.

Belize PMC indicates that Belize introduced the *Offshore Banking Act* in 1996. GC mentions a law on trusts in 1992 but provides no further details. The existence of the *Belize Trust Act* is confirmed by Trusts and Trustees (Wilson, 2007) and Low-tax.net (n.d.-a), which also states that the law was inspired by similar legislation in Cayman, Panama, and Bermuda. AB identifies the *Belize International Business Companies Act* as the key legislation enabling the establishment of IBCs in 1990. The corporate registry of Belize also confirms the 1990 date (Belize International Corporate Affairs Registry, n.d.), and it is noted that the IBC legislation is heavily based on that of the British Virgin Islands (BVI). Belize is also considered a flag of

convenience, according to the TJN. The *Registration of Merchant Ship Act* of 1989 is taken as the benchmark for the opening of the flag of convenience.

Bermuda According to PMC, Bermuda's reputation as a tax haven dates back to 1935, when the first offshore company was established (Archer, 1998). Ketcheson (1981) and Spurling (1992) also highlight the significance of the *Exempted Companies Act* of 1950, which introduced the concept of "exempted companies" and paved the way for Bermuda's transformation into a major offshore financial center.[29] The *Companies Act* of 1970 further simplified the incorporation process for exempted companies (Spurling, 1992).

In 1958, Bermuda enacted the *Exempted Partnerships Act*, further expanding its offshore financial options by enabling non-residents to operate through partnerships formed in Bermuda. Spurling (1992) underscores the importance of this law in Bermuda's offshore development. The TJN notes that the *Trustee Act* of 1975, along with the establishment of the Bermuda Stock Exchange in 1973, demonstrates Bermuda's commitment to providing secrecy services to non-resident clients.

While AB mentions the *Exempted Undertakings Tax Protection Act* of 1966, which provided legal assurance that exempted companies would not be taxed, it's important to note that Bermuda has historically had no personal or corporate income tax. This is why Bermuda's reputation as a tax haven predates specific legislation, with notable usage as early as 1947 (PMC). Considering this historical context, the 1966 law is not considered a significant milestone in Bermuda's evolution as a tax haven.

British Virgin Islands The British Virgin Islands (BVI) are one of the world's leading provider of international business companies (IBCs), characterized by their tax-free status and minimal regulatory requirements. While the *International Business Companies Ordinance* of 1984 is widely recognized as the key legislation governing IBCs in the BVI (GC, AB, Garcia Pires, 2013), the *Trust Ordinance* of 1961 also played a significant role in establishing the BVI's reputation as a tax haven (Palladium Trusts, 2018, Pursall et al., 2023). This ordinance enabled firms and individuals to avoid taxes under certain conditions, paving the way for the island's emergence as a popular destination for offshore financial activity.

The TJN and GC also support the 1984 date as the defining moment for the BVI's status as a tax haven. Garcia Pires (2013) similarly indicates 1984 as the pivotal year. However, the *Trust Ordinance* of 1961, and its subsequent amendment in 1993, as noted by Palladium Trusts (2018), also played a crucial role in shaping the BVI's tax haven landscape.

29. "Bermuda's potential as an international business centre was recognised as early as the late 1940s and the first body of regulation for exempted companies became law in 1950, enshrined in The Exempted Companies Act 1950 (the 1950 Act). The 1950 Act introduced the concept of the 'exempted company' which is a Bermuda company formed primarily for the benefit of (and owned by) non-residents of Bermuda to carry on business outside Bermuda or with other exempted undertakings in Bermuda. The exempted company is exempted from the ownership requirements which apply to local companies." (Spurling, 1992, p. 9)

Cayman Islands Freyer and Morriss (2013) credit the Cayman Islands *Company Law* of 1960 as the first piece of legislation specifically designed to promote the Cayman Islands as a financial center. They further highlight the importance of the *Exchange Control Law* of 1966, which they describe as a crucial step in establishing the Cayman Islands as an offshore financial center. This law was enacted in response to competitive pressures from other jurisdictions and was driven by the efforts of newly arrived expatriates and legal professionals.

PMC identifies several other laws that have contributed to the Cayman Islands' status as a tax haven: "In 1966 Cayman enacted a handful of laws, including the Banks and Trust Companies Regulation Law, the Trusts Law, and the Exchange Control Regulations Law, and it also strengthened its 1960 companies law. In 1976, the Confidential Relationships (Preservation) Law (a codification of English common law) was enacted to protect confidential information in the possession of financial professionals from disclosure— this in response to aggressive action by the U.S. authorities to obtain information from offshore banks. All exchange control restrictions were abolished during the late 1970s. The Insurance Law was enacted in 1979 to enhance and regulate the growing captive insurance industry (driven initially by illfounded concerns about political stability in the Bahamas)" (p.137). GC notes the date of 1960 for the creation of exempted companies and the TJN notes 1965. Even if the law of 1967 seems important, the date of 1960 should be retained as the first Campany Law (as confirmed by the TJN and AB).

Jersey According to PMC, the Channel Islands have been known as tax havens since the 1920s. In 1928, Jersey enacted the *Income Tax Law*, which allowed foreign-controlled firms to pay no taxes. This law, along with the *Corporation Tax Law* of 1940, which established the world's first exempt companies, marked the island's early transformation into a tax haven.

In 1983, Jersey introduced captive insurance, a type of insurance arrangement that is popular among offshore investors (Herbert, 1992). He also attributes the development of Jersey as a tax haven to the *Trust Law* of 1984. Trident, in its fact-sheet on Jersey's trusts (Trident Trust, 2021), also recognizes the importance of this law (p. 1).

Herbert (1992) and GC also mention the *(Exempted) Companies Law* of 1991. Finally, IBCs were created in 1993, further expanding the island's range of offshore financial vehicles (GC, Trident Trust, 2021).

Guernsey While the precise timeline for Guernsey's emergence as a tax haven is less clear than for Jersey, several key legislative developments stand out. In 1986, Guernsey enacted the *Insurance Business Law*, which established a regulatory framework for captive insurance (Le Marchant, 1999, p. 217). This law, along with the creation of the Financial Services Commission in 1988, marked a significant step in Guernsey's transformation into an offshore financial center (GC, Le Marchant, 1999).

Like Jersey, Guernsey introduced IBCs in 1993 according to GC, further expanding its range of offshore financial vehicles. Dyke and Simpson (2001) discuss the use of exempted companies according to the Companies Laws of 1994 to 1996. I keep only the date of 1994. Finally, an important innovation of Guernsey are the Protected cell companies (PCC) created in 1997 (see GC, PMC, and Trident Trust, 2018 for instance).

For Jersey and Guernsey. It is a bit difficult to follow the different sources on the precise date of the reforms around 1990 because of a large number of laws. I tried to keep the most significant but this is mainly based on the interpretation of sources. Both exempted companies and IBCs have been introduced around this date.

Cook Islands According to PMC (p.146) that cites Sharman (2008), the Cook Islands established a legislative framework to attract offshore business in 1981, specifically targeting tax-exempt structures. This development is corroborated by TJN, which cites a report by the International Monetary Fund (IMF) on the Assessment of the Supervision and Regulation of the Financial Sector in the Cook Islands (International Monetary Fund, 2004). The IMF report states: Offshore financial activity commenced in the Cook Islands (CI) in 1981 with the enactment of several laws, which provided, as a basic inducement, for all registered offshore entities to be exempt from all forms of tax." This information is further supported by AB and Van Fossen (2002b).

Cyprus According to GC, offshore societies were established in Cyprus through the article 28A of Law No. 15 in 1977. The TJN, citing lowtax.net, confirms this date and adds that Cyprus has been active in attracting offshore businesses since 1975, evidenced by the substantial number of offshore companies registered in the country. AB also mentions a prior law in 1975, which was later modified in 1977 to make it less restrictive and more conducive to offshore activities. I keep the date of 1975 as the one of 1977 seems to be a correction relative to the first one, not a real innovation.

The Merchant Shipping Act, which regulates the registration of foreign-owned ships in Cyprus, dates back to 1963 (Christensen, 2017).Offshore banking units in Cyprus are created in 1978 according to AB with a first autorisation granted to the Banque Nationale de Paris intercontinentale. According to Phylaktis (1994) (p. 125), Offshore Banking Units are created in 1981. This date is also found in Roussakis (1999). Note that AB was printed in 1981 which might explain why this date does not appear.AB, published in 1981, may not have included this later date due to its publication timeframe. The IMF's 2001 assessment of the offshore sector in Cyprus (International Monetary Fund, 2001) also supports the date of 1981, noting that the first OBU was licensed in 1982. I keep 1981 since it is more sourced and I was not able to find more information on the date of 1978.

Dominica According to GC, Dominica implemented a system of IBCs based on the one enacted in the British Virgin Islands. It was passed in 1996 according to the TJN. In GC: "La Dominique est le dernier-né des Paradis fiscaux et réussit d'emblée à entrer directement dans la catégorie des «autres grands»." This is also confirmed by Suss et al. (2002) that adds the economic citizenship (golden passport) program. They also mention the *Offshore Banking Act* of 1996, and the *Exempt Insurance and Exempt Trust Act* of 1997.

Gibraltar According to GC, the *Companies Ordinance* of 1983 established a regime for exempted societies in Gibraltar, which are companies that are not owned by Gibraltarians and do not conduct business domestically. This reform is an amendment of the 1967 *Exempted Societies law*. The TJN confirms that Gibraltar has had an exempt company regime since 1967. Gibraltar's status as a tax haven was recognized as early as 1977, when it was blacklisted by the International Bureau of Fiscal Documentation. PMC also notes that Gibraltar was already a tax haven in the 1960s.

According to AB, in 1989, Gibraltar enacted the *Financial Service Ordinance*, which aimed to further develop its financial sector, including the insurance captive business. This law was intended to strengthen Gibraltar's competitiveness against other financial centers, such as Ireland. An IMF assessment document from 2001 also references this law (International Monetary Fund, 2011). Notably, Gibraltar does not impose withholding tax or income tax on investment fund revenues.

Although GC mentions the *Companies Act* of 1930 as a potential legal framework for exempted companies, AB indicates that Gibraltar's legal framework is primarily inspired by UK law. However, given the lack of definitive sources suggesting that the 1930 Act played a pivotal role in Gibraltar's offshore development, the 1983 date is considered more significant.

Grenada Grenada was considered as a tax haven in 1977 by the International Bureau of Fiscal Documentation. According to AB, there is no taxes on any revenues (individuals or corporations) since 1986. This is confirmed in an United Nations documents that mentions that "in a radical fiscal experiment Grenada abolished income taxes in 1986 and introduced a 20 per cent Value Added Tax (VAT) on goods and services imported or produced for sale in Grenada." (Ramsaran, 1999). In Effros (1998), it is noted that the *International Business Companies Act* of 1989 provides the complete secrecy of offshore companies. This law also appears in a WTO document about Grenada (World Trade Organization, 2014). Suss et al. (2002) notes that the offshore sector began in 1997, which does not seem reliable given the above information. However the set of laws suggest an important reform of the offshore sector: *International Insurance Act*, *Companies Act*, *Offshore Banking Act*, *International Trusts Act*, *International Ccompanies Act* are set up in 1996.

Hong-Kong Both PMC and the TJN identify 1978 as the moment when Hong Kong became a tax haven. This shift is linked to the Chinese Open Door policy

and the end of a moratorium on the establishment of new banks in Hong Kong. These developments created a more permissive environment for offshore financial activities, contributing to Hong Kong's ascent as a key destination for tax-evading businesses. Schenk (2003) supports the 1978 date by confirming the removal of the moratorium on new bank licenses. Jao (2003)) notes "Although the Hong Kong colonial government adopted a permissive attitude towards the financial sector, it also did not pursue an active IFC policy, at least in the 1950s and 1960s."

I retain these policy changes in 1978 as the first dat after WW2. Note that this is subject to debate. Some reasearchers think that Honk-Kong played the role of an OFC before this date. In particular, an important feature of the tax system put in place in Hong-Kong in 1940 is that it only taxes income based on source. It means that companies registered in Hong-Kong but with no local revenues will not pay taxes there (see Littlewood, 2010). This is described as an important feature of the tax haven status of Hong-Kong. Therefore, I keep this date.

PMC, citing Jao (2003), also highlights two key tax policy changes that further enhanced Hong Kong's attractiveness as a tax haven: the abolition of interest withholding tax on foreign currency deposits in 1982 and the complete elimination of all forms of interest taxation in 1989. Schenk (2020) corroborates the date of 1982.

Ireland Shaxson (2018) argues that Ireland's tax haven strategy has never been driven by secrecy, but rather by aggressive corporate tax cuts. He cites the 1956 Export Profits Tax Relief as a prime example of this strategy, which effectively exempted export sales of manufactured goods from taxes. This policy, when combined with the subsequent Shannon export processing zone established in 1959 (see PMC), laid the foundation for Ireland's transformation into a tax haven. PMC further highlights the establishment of the Irish Financial Services Centre (IFSC) in Dublin in 1987. This center attracted multinational corporations seeking to minimize their tax liabilities.[30] The same dates are highlighted by the TJN.

The Tax Consolidation Act (TCA) of 1997 has been identified as a significant step in consolidating Ireland's tax haven status. According to O'Boyle (2022), the section 110 of this act works as a debt-based tax avoidance instrument (see also O'Donnell, 2017 that interprets the law similarly). The Double Irish sandwich is also associated to this piece of legislation.

Isle of Man PMC indicates that the Isle of Man began to compete for tax revenues with its neighboring jurisdictions in 1970. According to PMC, two significant legislative milestones were the *Income Tax (Exempt Companies) Act* of 1984 and the combined *Shipping Law* and *Insurance Law* of 1986. A government communi-

30. PMC writes: "Following the success of its Shannon export processing zone, established in 1959, Ireland established the Irish Financial Services Centre in Dublin in 1987. With its favorable tax regime for certain financial activities, low corporate tax rate (12.5% in 2008), and no withholding tax, the IFSC still flourishes, according to the Irish economist Jim Stewart (2005), in what he calls global treasury operation, managing international funds and flows of funds within MNEs."

cation further confirms the establishment of the Isle of Man's shipping registry in 1984 (Isle of Man Government, 2007).

GC, while not specifying the exact dates, suggests that the Isle of Man's legal framework for exempt companies dates back to the 1930s. The TJN notes that the *Companies Consolidation Act 1931* laid the foundation for the Isle of Man's current company law, which is based on the U.K.'s *Companies Act 1929*. This Act has undergone several modifications such that it is called 1931-2004 law. GC also note this law as being at the origin of Manx Exempted Companies.

Based on these sources, the dates of 1931, 1984, and 1986 appear to be the most significant in the Isle of Man's offshore development.

Jordan Jordan appears to be a relatively minor tax haven with limited information available on its offshore history. According to GC, the first attempt to attract foreign investors through tax exemptions was made in 1975 through the *Temporary Law Number 46*. This was followed by two additional laws in 1989 and 1992: *Law 1* and the *Offshore Companies Regulation*. AB identifies two types of tax incentives: those provided by the *Registration of Foreign Companies Law* of 1975 and those offered by the *Encouragement of Investment Law* (1984) and the *Industrial Estates Corporation Law* (1980). However, GC notes that the 1975 law was not widely used due to administrative challenges. The existence of the 1975 law is further corroborated by a document from the US Bureau of Domestic Commerce (United States Bureau of Domestic Commerce, 1977, p. 122).

Lebanon PMC suggests that Lebanon's transformation into an offshore haven began in 1943 following its independence. However, this date is too vague and requires further confirmation. Different sources such as Gates (1998) or Kardahji (2015) explain that the reforms taken in 1943 where dergulating and opening the economy and that the main source of the offshore attractivity is the absence of banking regulation rather than actual laws. Therefore, I do not keep this date. More specific evidence points to the establishment of the *Decret loi 45 on holding societies* and the *Decret-loi 46 on offshore societies* in 1983, indicating a more recent origin for Lebanon's offshore development. In addition, the TJN pinpoints the adoption of a bank secrecy law in 1956 as a key milestone in Lebanon's emergence as an offshore financial center.

Liberia The TJN identifies Liberia as a secrecy jurisdiction since 1951, but does not provide specific evidence to support this claim. They add that the shipping registry was created in 1948 (confirmed by Liberian Corporate Registry, n.d.). This is also the date of creation of the Liberian Corporate registry that plays an important role in the Liberian Tax haven (see the brochure of Liberian Corporate registry, Liberian Corporate Registry, 2015 for instance).

The TJN notes that the *Commercial Code* of 1956 was modeled on Delaware regulations, further indicating Liberia's alignment with established offshore jurisdictions. This is also confirmed by AB and TJN. Finally, in 1975 there seems to be a

law that limits the possibility of registrering ships for non-residents (*Liberian Maritime Law*, see AB). This law is not recorded in the database as it decreases the extent to which Liberia is a tax haven.

Liechtenstein The establishment of a tax haven regime in Liechtenstein can be traced back to 1926 with the introduction of the *law on Anstalt* (PMC). This legislation enabled individuals to form companies that offered them the advantage of incorporation and secrecy. AB and GC provide additional dates that mark Liechtenstein's evolution as a tax haven: 1960 for the enactment of a banking secrecy law and 1992 for the introduction of a new banking law that was deemed of high quality by GC.

Luxembourg The introduction of holding companies in Luxembourg in 1929 marked a turning point in the country's transformation into a tax haven. This is the most important law that makes Luxembourg a tax haven and among the first holding legislation in the world. It exempted these companies from various taxes, including income tax, fortune tax, tax on the transfer of shares, and withholding taxes. This legislation attracted foreign investors seeking to shelter their assets, paving the way for Luxembourg's emergence as a major tax haven in the 1970s. The Luxembourg then emerges as a major tax haven in the 70' according to PMC and GC.

According to Chavagneux (2021), the three most important dates in the offshore of Luxembourg are 1929 (law on holdings), 1963 when the first emission of an Eurodollar obligation was done in Luxembourg, providing secrecy and launching the deregulated Eurodollar market, and 1981 when it officialy puts banking secrecy in place. According to PMC, the Luxembourg maritime register is opened in 1990 to make it a flag of convenience. In addition, the first captive insurance law dates from 1984 (see PwC, 2012 or Captive Insurance Times, 2013).

The SoParFi, companies exempted from capital gains taxes, are created in 1990. A report from the French Assembly (about limits to fiscal control , financial crimes and money laundering in Europe) notes that these companies have been "deliberately created to attract, through important tax advantages, capital to the Grand-Duché" (own translation).

Macao It is difficult to find information about Macao as a tax haven. It is a port-franc (no taxes on trade) and ensures a corporate taxation between 0 and 15 percent according to the negociation with tax authorities. According to AB1, Macao is known to be a place with low taxes and facilities since a long time but is considered as a second-zone tax haven. In particular, it is noted that the government created an advantageous tax regime in 1978. According to the Global Forum cited by the TJN, the Macao Offshore Legislation was introduced and became effective on November 1999. It corresponds to the Decret-Loi 58/99/M that has been revoked 2018 to follow OECD guidelines (see also World Trade Organization, 2013 IFLR, 2018).

Malaysia and Labuan According to AB, the *Income Tax Act* of 1974 exonerates from income tax revenues sourced outside of Malaysia for individuals and companies. Besides, in 1990, Malaysia decided to create a tax Haven in Labuan with a set of laws (including the *Offshore Companies Act*) that allows for offshore companies (see GC).

Maldives Maldives are not mentionned in GC. The TJN notes "The absence of any meaningful third-party information (IMF, FATF-style, Lowtax.net, etc.) may suggest that the Maldives only recently opted for a secrecy jurisdiction strategy. Maldives mentions on its website that "According to World Bank's 2006 Investment Climate Assessment, Maldives ranked highest in the region in terms of World Banks' ease of doing business index." (Invest Maldives)." However it was listed as a tax haven by Hines and Rice (1994) and by the OECD (2000).

No date is found for this country. Therefore, I do not use it in the database.

Malta Malta was considered as a tax haven by the IFBD in 1977. The *Banking Act* of 1970 allows for the creation of offshore banks according to AB. It is not ocnfirmed by other sources that offshore banks are created by this act. This date is not kept yet, since many sources talk about the *Banking Act* of 1970 but do not link it to offshore banks. According to AB, the 1980 treaty with the United States allows for treaty shopping strategies, explaning why it is closed by the U.S. in 1997.

In 1988, Malta implemented a series of reforms to reduce taxes on offshore activities. According to GC there is a limited tax rate of 15% on foreigners. Besides, the *Offshore Trust Act* is enacted in 1988, as well as the Amendment to the *Merchant Shipping Act* of 1973 that establishes Malta as a flag of convenience according to AB. Fabri and Baldacchino (1999) further note that the 1988 reforms included trading, holding, banking, and insurance offshore companies and offshore trusts under the *Malta International Business Activities Act*. Additionally, this act granted tax reductions for specific businesses, especially banks. Fabri and Baldacchino (1999) also confirm that the *Merchant Shipping Act* of 1973 opens the door to being flag on convenience.

The *Malta Companies Act* of 1995 created International Trading Companies that could be used as International Business Companies (IBCs), according to the Offshore Company website (Offshore Company, n.d.-b). This regime was phased out in 2007.

Marshall Islands The Marshall Islands emerged as a tax haven with the enactment of a set of laws in 1990 that included provisions for zero or near-zero taxation for exempt and non-residential companies, Swiss-style bank secrecy laws, trust companies laws, offshore insurance laws, flags of convenience for shipping and aircraft leasing, and, in the early 21st century, laws aimed at facilitating e-commerce and online gambling. This date is confirmed by PMC, GC, TJN, and Van Fossen. Van Fossen (2002) specifically identifies 1990 as the year the Marshall Islands re-established itself as an offshore financial center, although he does not

mention any previous reforms. According to AB, the *Association Law* is the key legislation that transformed the Marshall Islands into a tax haven. In addition, the establishment of a maritime registry in 1988 marked the first step towards becoming a flag of convenience, according to AB. This date is also confirmed by a promotional tract from the Marshall Islands (International Registries, 2020), which adds the *Maritime Act* of 1990 as a milestone in the country's development as a maritime center.

Mauritius PMC, citing Sharman (2008), indicates that Mauritius became a tax haven in 1990 with legislation specifically targeted towards Indian residents. GC acknowledges the importance of the 1992 and 1994 laws but does not specify the first law that established Mauritius as a tax haven. According to the TJN: "The Mauritius Export Processing Zone (EPZ) was set up in 1970, and has become one of the country's biggest centres of employment, particularly in the garment manufacuring trade. The EPZ is meant for manufacturers and food processors who export 100% of their output, although permission is sometimes available for 10-20% of output to be sold locally [...] the following incentives apply: No customs duties or sales taxes payable on raw materials and equipment; No corporate taxes payable and no withholding tax on dividends; No capital gains tax; Free repatriation of dividends, profits and capital". However, EPZs are outside the scope of the current data collection, so the focus will be on other reforms.

Sharman (2008) provide further details: in 1990, the first offshore banking and management company license was granted; in 1992, a treaty with India significantly accelerated the development of the offshore system; and in 1994, International Business Companies (IBCs) were introduced.

Monaco According to PMC, since 1869, Monaco has exempted every firm and individuals from income taxation. This is the only relevant information its offshore legal architecture that I was able to find for Monaco.

Montserrat Montserrat established a law in 1985 that created International Business Companies. According to AB, the 1980 *Income Tax Ordinance* established zero taxes on offshore banking operations. In addition, offshore banking was subsequently legislated in 1991 through the *Offshore Banking Ordinance*.

Nauru According to PMC, Nauru enacted a set of offshore laws in 1972. It is confirmed by GC and the TJN. This corresponds to a law on societies and a law on trusts. GC also adds that the banking secrecy was enacted in 1975. Note that AB dates it from 1973: "C'est la loi sur les sociétés de 1973 et une loi spéciale sur les trusts, successions et testaments qui ont fait de Nauru un paradis fiscal". AB also states that Nauru is not a tax haven for individuals due to the restrictions imposed on immigration.

Netherlands Historical information about the Netherlands as a tax haven is surprisingly limited in the tax haven guidebooks.[31] According to AB1: "C'est, en effet, au régime des *holdings substantielles* que les Pays-Bas doivent d'être l'un des rares pays industriel pouvant être qualifié de paradis fiscal". According to PMC: "Similar notions can be traced to an earlier innovation, the holding company, in 1893 in the Netherlands. The Dutch exempted from tax all income earned by foreign subsidiaries of local companies in an attempt to help Dutch firms expand in Asia. Over time the Dutch holding company evolved into a very lucrative tax avoidance scheme." These two quotes indicate that the regime of exemption put in place in the Netherlands in 1893 is an important landmark in the history of the country as a tax haven.

An important feature of the Netherlands as a tax haven is also its reliance on its treaty network, in particular the treaty with the Netherlands Antilles in 1964 (Weyzig et al., 2006, Vleggeert and Vording, 2019). Thanks to treaty shopping, it is possible to reduce the withholding taxes to 5% or 15% instead of 25%.

Finally, Weyzig et al. (2006) notes that the liberalization of exchange controls in the mid 1970 participated to make the Netherlands "a 'conduit' country for capital flows of MNE wishing to avoid taxation". As a consequence, in 1983, the Netherlands created the special financial institutions.

Netherland Antilles According to PMC, the Netherlands made its Antilles a tax haven during the WW2. They were largly used in the 1960s and 1970s.

The main reference is van Beurden and Jonker (2021) (VBJ hereafter) that retraces the offshore history of Curacao. Here we consider the whole Netherland Antilles. VBJ shows that contrary to what is generally written, the offshore history of Curacao begins in 1951: "We therefore date the beginning of Curaçao as an OFC to that first purposeful legislation in April 1951, rather than May 1940, as the literature often does". This year, a legislation that grants shell companies a 90% tax exemption is enacted. Note that the Netherlands Antilles are formed in 1954/1955. In absence of other source, we can consider that this legislation only applies to Curacao at the moment it is taken. The tax rate is reduced the next year but this is not considered as a major structural reform for the purposes of this database. In 1955, the benefits of the tax treaty between the Netherlands and the US are extended to Curacao. In 1965, *Belastingregeling Koninkrijk* (BRK, Tax Arrangement for the Realm) is signed with the Netherlands and gives the Netherlands Antilles the exemption of dividend taxes at source. This agreement was in negociation since 1954. In addition, VBJ describes many reforms at the beginning of the offshore history of Curacao: 1957 (revised law on patent holding companies), 1958 (long-term - 10 years - legal guarantees of shell companies tax rate), 1967 (individual and confidential tax rulings for offshore companies), 1972 (low entry requirements and exemption from supervision for offshore banks) (see p.11). Informal banking se-

31. In an academic article about Netherlands as a tax haven, Vleggeert and Vording (2019) notes: "The early development of the Dutch tax planning industry is not well-documented."

crecy is adopted in 1965, but such informal decisions are not considered for the purpose of this database. The laws of 1967 and 1972 are added to the database as they are the ones really contributing to the construction of the legal architecture. The one of 1957 is a revision of a law (extending the exemption to patent-holding firms) and the one of 1959 provides certainty but does not really participate to the legal architecture in itself. [32]

Niue The Financial Times reportedly identified Niue as a tax haven in 1994. A specialised website notes that "The legislation—The International Business Companies Act of 1994—is very similar to other IBC (international business company) jurisdictions." (International Man, 2013) Niue's Prime Minister reportedly stated that the law was modeled after the regulations of the British Virgin Islands and the Cook Islands and was aimed at promoting Niue's independence from New Zealand.

Norfolk Island According top PMC, Norfolk Island is the first Pacific tax haven. It was established in 1966. This is based on Van Fossen (2002a). Fossen and Chambers (2012) confirms in an other article that the offshore history of Norfolk began in 1966. However, the specific laws that were implemented to facilitate offshore activities are not explicitly stated. While it is likely that these laws were modeled after those of successful Caribbean tax havens, further research is needed to identify the exact legislation. Following Van Fossen (2002a) reasoning, the reforms appear to have attracted numerous offshore companies. The reforms are therefore classified under the category of companies regulation.

Panama Panama has been a center for shipping registration since the 1920s. In 1970, Panama "introduced a series of rulings that liberalized its banking laws, adopting Swiss-style banking secrecy, abolishing currency controls, and setting up exempt companies" (Warf, 2002). The date of 1927 is also proposed for the adoption of Delaware-like incroporation laws. Another source, Garcia Pires (2013) confirms the date of 1927 and suggests that Panama's emergence as a tax haven can be traced back to 1919, when the country began providing facilities for foreign ship registration. The actual law establishing Panama's Flag of convenience was passed in 1917 (Law/63, dated December 15, 1917), with the first foreign ship registration occurring in 1919 according to Piniella et al. (2017).

Saint Kitts-et-Nevis Information about Saint Kitts-et-Nevis is very limited. According to GC, Saint Kitts-et-Nevis developed a trust system in 1994, through the *Nevis International Exempt Trust Ordinance* (see also Lowtax.net, 2021b).IBCs are created with the *Nevis Business Corporation Ordinance* of 1984 (Lowtax.net, 2021a), revised in 2000. According to Suss et al. (2002), an *Offshore Banking Ordinance* has been passed in 1996.

32. A similar decision has been taken in the case of Seychelles, see below.

Saint Lucia According to the TJN, it began as a secrecy juridiction with the *Exempts Trust Act* and the *IBC Act*. According to the TJN archive of 2013, the *IBC Act* is also from 1999. This information is confirmed in Suss et al. (2002).

Saint Vincent-et-les-Grenadines The TJN notes that Swiss lawyers introduced offshore finance in St. Vincent and the Grenadines in 1976, and further improves its regulations in 1996 (see also Offshore Protection, 2023). [33]. According to AB, the 1976 regulation is about international companies and also creates a Trust authority to attract trusts, international companies, shipping companies, catives and pension funds (see also Mondaq, 1999). Suss et al. (2002) also identify the 1996 law as a key milestone in St. Vincent and the Grenadines's transformation into a tax haven.

Samoa According to PMC, the story is the same than for the other Pacific Attols. The first tax-haven style legislation dates back to 1988 (confirmed by the TJN). GC (probably refering to the same laws) dates this moment to 1987. A significant modification happenned in 1991 according to GC (the modification is also noted as substantial in Betham-Annandale, 1998, note 64). The website International Man confirms the date of 1987 and gives the name of the law: the *International Companies Act* (International Man, 2014).

San Marino Information about the tax haven history of San Marino is difficult to fnd. GC only writes one sentence to say that San Marino is not a tax haven. AB notes that the reputation of San Marino as a tax haven is old, and not necessarily justified anymore because of a lack of investment in the tax haven structure of the country. Due to the lack of information, no date is collected about San Marino.

Seychelles It was listed as a tax haven in 1977 by the IBFD. Ellis et al. (2022) refers to the creation in 1978 of the Seychelles Trust Company. [34] According to the Offshore Trust Guide, the Seychelles passed the *International Trusts Act* in 1994 (Offshore Trusts Guide, n.d.-a). Trident trust also refers to the *International Business Companies Act* of 1994 (Trident Trust, 2016).

33. "Atrium-Incorporators further provides some interesting details about the beginning of the 'offshore finance' in St. Vincent and the Grenadines: "Swiss lawyers introduced St. Vincent and the Grenadines (SVG) to the international financial services sector in 1976. Three years later the country gained independence from Britain and embarked on the process of nation-building – setting up the foundations of an independent nation state. When the country was more mature it was able to take a second look at the international finance industry in 1996 and take the policy decision to move this sector into the forefront of the national economy. The international finance legislation was overhauled and a package of financial laws was introduced. Regulated and licensed agents and trustees, known in SVG as Registered Agents, provide international financial services."

34. "Ricci became President Rene's friend and unofficial financial advisor. In 1978 he set up a company, the Seychelles Trust Company, in a joint venture with the Seychelles government. The government granted to the Seychelles Trust Company sole rights to incorporate off-shore companies and to act as resident agent for foreign companies and foundations registered in Seychelles, which could operate free of tax. The granting of this right to a private company was unique in that it made the Seychelles Trust Company the only private offshore business registration company in the world, and, in effect, Seychelles became the world's first socialist tax haven."

According to PMC and GC, the Seychelles also passed the *Economic Development Act* which granted foreign investors (investing more than 10 million dollars) a judicial immunity. This law was repealed in 2000 due to international pressure. This law is also a bit different from our purposes and will not be incorporated in the database.

Singapore The Asian Currency Unit (ACU) introduced by Singapore in 1968 is the first type of international business facility in Singapore according to PMC. It is confirmed by the TJN. Hodjera (1978) explains clearly that the creation of ACU is linked to the development of an offshore financial center ("The willingness of the Singapore Government to provide the incentives necessary for attracting international banking business was the key to the development of an international financial center on the island"). Also confirmed by Schenk (2020): "The goal was to isolate the offshore market from the domestic market, thereby attracting regional funds inward rather than channelling domestic savings outward." It comes with "the 10 per cent withholding tax on interest income from nonresident foreign currency deposits". According to the TJN, the Monetary Authority of Singapore (MAS), created in 1971, boosted its regulatory capacity. Hodjera (1978) notes that different regulations where put into place in 1972 (abolishment of reserve requirement, described as important because it allows an "increase in earnings from offshore credits") and 1973 (where "the corporate tax on net income from offshore lending and other offshore activities was reduced from 40 per cent to 10 per cent"). The date of 1973 as it is also noted (informaly without refereeing to the date) by GC. This is classified as a banking regulation.

In 1998, Singapore reformed its regulatory regime by making it more light touch and liberalising the financial market (according to PMC: "The second stage in the development of Singapore as a tax haven began in 1998 (Juan, 2008)."). It is not clear when the law was passed though. I attribute it to 2001, year of the revision of *the Banking Act*. Therefore, it does not appear in the paper's database.

Switzerland The history of Switzerland as a tax haven has been documented in several books and articles. This history is long and contested among historians (see for instance Guex, 2000, 2021, Farquet, 2016, 2018, 2021). The goal of these notes is not to contribute to this history but to isolate key reforms that participated to the construction of the Swiss tax haven.

The most well-known reform that participated to the legal architecture of the Swiss tax haven is probably the Swiss banking Act. It was enacted in 1934 (many sources discuss it such as PMC, GC, or Guex, 2000). It is important to note that banking secrecy was already the norm in 1912 according to PMC, citing Fehrenbach (1967). [35] According to the TJN, the banking secrecy dates back to 1713 when

35. Even though Farquet (2021) argues that this law might not be very important in practice for the Swiss tax haven, he acknowledges that it is an important step in the construction of the Swiss legal architecture: "Even if there is no doubt that preserving banking secrecy played a major role in the fiscal attractiveness of the Swiss financial centre from the 1920s onwards, this precise article had almost no

Switzerland prohibited bankers from revealing details about their clients. Guex (2021) also supports the idea that the construction of the Swiss tax haven was largely completed before 1914. PMC notes that since 1848 when modern Switzerland was established, the taxation at the levels of the cantons opens the door to "an orgy of fiscal evasion and dissimulation" (see PMC, p.111, citing Guex, 1998, p. 105). These early accounts of a construction of a legal architecture in Switzerland prior to the 20th century makes me consider that Switzerland is a tax haven before 1900 without attributing a date since that data collected here is restricted to the period 1900-2000.

According to PMC: "In fact, it was not until 1934 and 1944 when, respectively, Switzerland introduced its bank secrecy laws and Zug introduced taxation laws that in effect set it up as a tax haven." According to PMC, in 1944, the Canton of Zug decreased its tax rate to 17.8% but also introduced loopholes by allowing "business control centers" (havning thir activity mostly out of Switzerland) to beneficiate from preferential tax rates.

The Canton of Zug offers incorporation facilities from the 1920s ("incorporation haven") and Farquet (2021) observes that the number of holding companies in Switzerland increased by large numbers at this period. [36] However, I was not able to identify a precise date of a reform that come with this increase in offshore activity in Switzerland.

It is surprising to note, that no major reforms of the Swiss legal architecture happenned after the World War II according to the sources used in this database. Rather, it seems that the development of this tax haven was largely based on the practices of the authorities and of the tax evasion/avoidance industry. [37]

Tonga According to PMC, the story is the same as the one of the other Pacific Attols. The first tax-haven style legislation dates back to 1984. According to Fossen and Chambers (2012), Tonga was already a (not very successful) tax haven before 1984. According to this paper, this date corresponds to an offshore banking legislation. No information on a previous regulation has been found.

Turks and Caicos Islands The Turks and Caicos Islands began its transformation into a tax haven in 1971 with the passage of the *Company Law*, followed by the *Confidential Relations Ordinance* of 1979, which established banking secrecy. According to GC, the *Company Ordinance* of 1981 played a significant role in facilitating tax avoidance. AB further highlights the *International Financial Institutions Exemption Ordinance* of 1979, which promoted the offshore financial sector and enabled the establishment of offshore banks. The *Trust Ordinance* of 1990 further

influence on it, at least until the Second World War. The article reinforced banking secrecy by providing a penal protection against any infringements, which was exceptional at the time in Europe."

36. PMC: "A Zurich- Zug-Liechtenstein triangle took shape in the 1920s as the first genuine tax haven to draw the great bulk of its funds from nonresidents."

37. Farquet (2021) writes: "Swiss banking secrecy thus remained protected not by article 47, but rather by fiscal laws and practices, and by the lack of international convention against tax avoidance." PMC writes: "Fehrenbach (1967) believes that Switzerland never intentionally meant to serve as a tax haven".

solidified the Turks and Caicos Islands' position as a tax haven by facilitating the formation of trusts for tax evasion purposes. AB also notes that trusts can be created in the Turks and Caicos Islands under common law principles, although he advises against using the Turks and Caicos Islands for trust registration.

According to GC, the Turks and Caicos Islands its transformation into a tax haven in 1971 with the law on exempted companies (amended in 1981). The TJN also notes the date of 1981. According to GC the *Company Law* of 1971is followed by the *Confidential Relations Ordinance* of 1979 that guarantees banking secrecy. The *Company Ordinance* of 1981 is cited in the GC as an important law to do tax avoidance in the Turks and Caicos Islands. According to AB, the *International Financial Institutions Exemption Ordinance* of 1979 provides services for the offshore financial sector and allows the creation of offshore banks. The *Trust Ordinance* of 1990 is also an important law to form trusts in order to avoid taxation (see AB and Offshore Trusts Guide, n.d.-b). AB also refers to the company law of 1971, which he sees as similar as the one in other Caribbean tax havens.

US Virgin Islands The US Virgin Island Exempt Companies Act of 1986 (in force in 1987) seems to be the initial date according to the Trident Trust Key Facts (Trident Trust, 2017). Information from other sources is very limited.

Vanuatu According to PMC, has a similar oggshore history as the other Pacific Attols. The first tax-haven style legislation dates back to 1970-1971. Rawlings (2004) identifies three important laws: the *Banks and Banking Regulations* of 1970, *the Companies Regulations* of 1970 and the *Trust Companies Regulations* of 1971. This information is confirmed by the TJN, with a slightly different timing. [38] I only keep the first Company Regulation (the one of 1970) as I keep the first law when two laws similar laws closely follow each other. Several websites promoting offshore jurisdictions note that the *International Company Act* of 1992, similar to other IBC laws around the world, is an important step in the building of the tax haven in Vanuatu (Lowtax.net, n.d.-b, Offshore Protection, n.d.).

According to the a Washington Post article, Vanuatu passed laws in order to become a flag of convenience in 1981 (Lippman, 1981).

38. "The Asia/Pacific Group on Money Laundering wrote in 2006: "Vanuatu created an offshore tax haven in 1971 with a very liberal financial regime." Connell and Pritchard (1990) writes that three regulation where important: the *Banking Regulation* (1970), the *Company Regulation* (1971) and the *Trust Company Regulation* (1971)."

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