# World Bank Corporate Income Tax (CIT) Incentives Database

# Methodology and User Manual

A guide to understanding, using, and interacting with the

World Bank CIT Incentives Database

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## Acknowledgments

The Corporate Income Tax Incentives (CIT) Database is an output of the Investment Climate Unit, under the Finance, Competitiveness and Innovation Global Practice of the World Bank. The Database was led and managed by Hania Kronfol, with support from a core team comprising Rajiv Kumar, Caroline Schimanski, Eduardo Antonio Jimenez Sandoval, and Victor Steenbergen. Extended team members include Tereza Palanská, Ana Cristina Sierra Hernandez, Javiera Lobos, Fayçal Sawadogo, Nicholas Chan, Tamar Matiashvili, Jan Mareš, Priya Sahu, Thomas Ublackner, Ivan Quintero, Salomé Pachkoria, Mariana Jimenez, Ghali Laraqui, and Nikhil Subhash.

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## Acronyms

| | |
|---|---|
| **CIT** | Corporate income tax |
| **COVID-19** | Coronavirus disease 2019 |
| **EPZ** | Export processing zone |
| **EU** | European Union |
| **FDI** | Foreign direct investment |
| **GHG** | Greenhouse gas emissions |
| **HQ** | Headquarter |
| **IP** | Intellectual property |
| **MNC** | Multinational corporation |
| **MSME** | Micro, small and medium enterprises |
| **NOL** | Net operating loss |
| **R&D** | Research and development |
| **SEZ** | Special economic zone |
| **SME** | Small and medium enterprises |

## 1. Objectives and applications

**The World Bank Investment Climate Unit, in collaboration with the Global Fiscal Policy and Sustainable Growth Unit, developed a Corporate Income Tax (CIT) Incentives Database to address data gaps and meet emerging needs for more information on the prevalence and role of incentives.** The Database systematically reports the tax parameters (the "benchmark tax system" or the general rules and conditions that apply to most firms), the number of corporate tax incentives, the targeting and objectives of incentives and their generosity. The Database covers 47 economies over time (2009-2020/2022).[1] It draws on a range of sources, primarily including data from major accounting firms, investment laws/regulations, and World Bank incentive inventories collected through operational engagements.

**The data's cross-cutting nature provides insights for analysis and operational uses for policymakers, practitioners, and academics.** The Database provides economy-level, time series data that can inform a range of analytics, for example, on topics related to global taxation and domestic revenue mobilization, FDI attraction, and use of incentives to promote sustainable climate outcomes. The level of detail captured in terms of the design and condition of incentives, the coverage of both high-income and developing economies, and the 10+ year time element uniquely position the Database to tackle both persistent and new questions on the role incentives play in fostering different policy outcomes. Pairing information from this Database with different outcome variables, for example, can help inform policy advice on when and how to use these instruments effectively.

**The Database further aims to support World Bank operational demand regarding incentives reform and provide analytic inputs to World Bank diagnostics.** The combination of data collected through the Database can inform options to improve incentives alignment to an economy's strategic objectives; facilitate cross-economy benchmarking on incentives; and support identification of global good practices.

**The data is limited to mapping out the availability of CIT incentives, so it should be interpreted carefully alongside empirical research on their impact, risks, and economy-specific contexts.** Benchmarking CIT incentives could inadvertently encourage economies to offer more incentives, in an effort to be more competitive. To address this, the data would need to be reviewed alongside and/or extended with information on fiscal costs and evidence on the cost-effectiveness of incentives. Policymakers, especially those in developing economies, should leverage this data to initiate discussions to improve transparency and accountability around incentives and tracking of their expenditures. For many economies, especially lower-income ones, this Database may be a first step toward systematically monitoring and signaling the importance of such information.[2]

**The data was compiled by a large team of World Bank staff and consultants through desk research and manual entry.** Given the complexity, coverage, and standardization processes, as well as the manual nature of the data entry, there may be errors or omissions. The project team is periodically updating and refining the data as issues are identified.[3]

**A "streamlined' or reduced version of the Database is publicly available and can be accessed here** as part of the Reproducibility Package of the 2024 World Bank Prosperity Insight Note*, Corporate income tax incentives to promote environmentally sustainable investment: Findings from 40 economies covered by the World Bank Corporate Income Tax Incentives Database*. The streamlined version was developed as an external-facing, user-friendly version of the full Database. The streamlined Database (and any updated coverage) is also planned for publication through the World Bank **Development Data Hub**. The full Database is currently only available internally to World Bank staff.[4]

**This document aims to provide detailed information on the World Bank CIT Incentives Database, covering the full version of the Database and the streamlined version that is publicly available.**

- Section 2 details the approach, scope and structure of the full Database. It includes information on basic definitions, data collected on tax parameters and incentive types, the conditions, the economy coverage and the counting logic.
- Section 3 summarizes the caveats and limitations of the Database.
- Section 4 provides a glossary of the variables.
- Section 5 describes the streamlined Database, elaborating the structure and the variables covered through adaptations of the full Database.

## 2. Approach, Scope, and Structure

**The scope of the Database is limited to corporate tax parameters and corporate income tax incentives most often offered by economies and used by firms, or of particular interest to policy makers and researchers - the list of tax parameters and tax incentives for which data is collected is not an exhaustive list**. The Database focuses exclusively on direct CIT incentives because of their wide usage and to maintain a manageable scope for data collection. It does not cover other types of CIT incentives beyond those depicted in Table 3.

**The Database is manually compiled primarily by codifying information from publicly available summaries from tax accounting firms** (including, for example, Ernst and Young and PricewaterhouseCoopers). In some cases, primary sources are consulted by reviewing the tax and investment laws directly, as well as other publicly available secondary sources.[5] Accuracy and replicability of the data collection are supported through randomized cross-checks across economy entries by the project team.

**Tax incentives are defined in relation to their established tax parameters (the "benchmark tax system" or the general rules and conditions that apply to most firms).** To identify which measures are considered tax incentives, three main criteria are applied, whether the rules:

- Apply only to a subset of taxpayers that qualify according to a targeted set of criteria (such as companies located in export-processing zones);
- Are designed to induce a change in firms' economic activity (such as to encourage a firm to set up in a particular location, or to invest more in research and development); and
- Represent an exception and a departure from standard national tax conventions and benchmarks (for example, they include tax holidays, which no economy regards as standard).

**Because tax incentives interact with the underlying tax system, the CIT Incentives Database comprises two datasets:**

- **Corporate Income Tax Parameters Dataset:** Benchmark corporate tax system in an economy, including parameters such as statutory CIT rates, thresholds for paying CIT, loss carried forward, and standard depreciation rates.
- **Corporate Income Tax Incentives Dataset:** Incentive types that offer favorable conditions compared to the benchmark, such as tax holidays, reduced tax rates, and accelerated depreciation.

*Figure 1. Two component datasets: Corporate Income Tax Parameters and Corporate Income Tax Incentives*

| CIT Parameters Dataset | CIT Incentives Dataset |
|---|---|
| **Parameters define the "benchmark tax system" or the general corporate income tax rules and conditions that apply to most firms** | **Incentives are favorable conditions compared to the benchmark tax system that apply to a specific subset of taxpayers and are designed to influence firms' economic activities** |

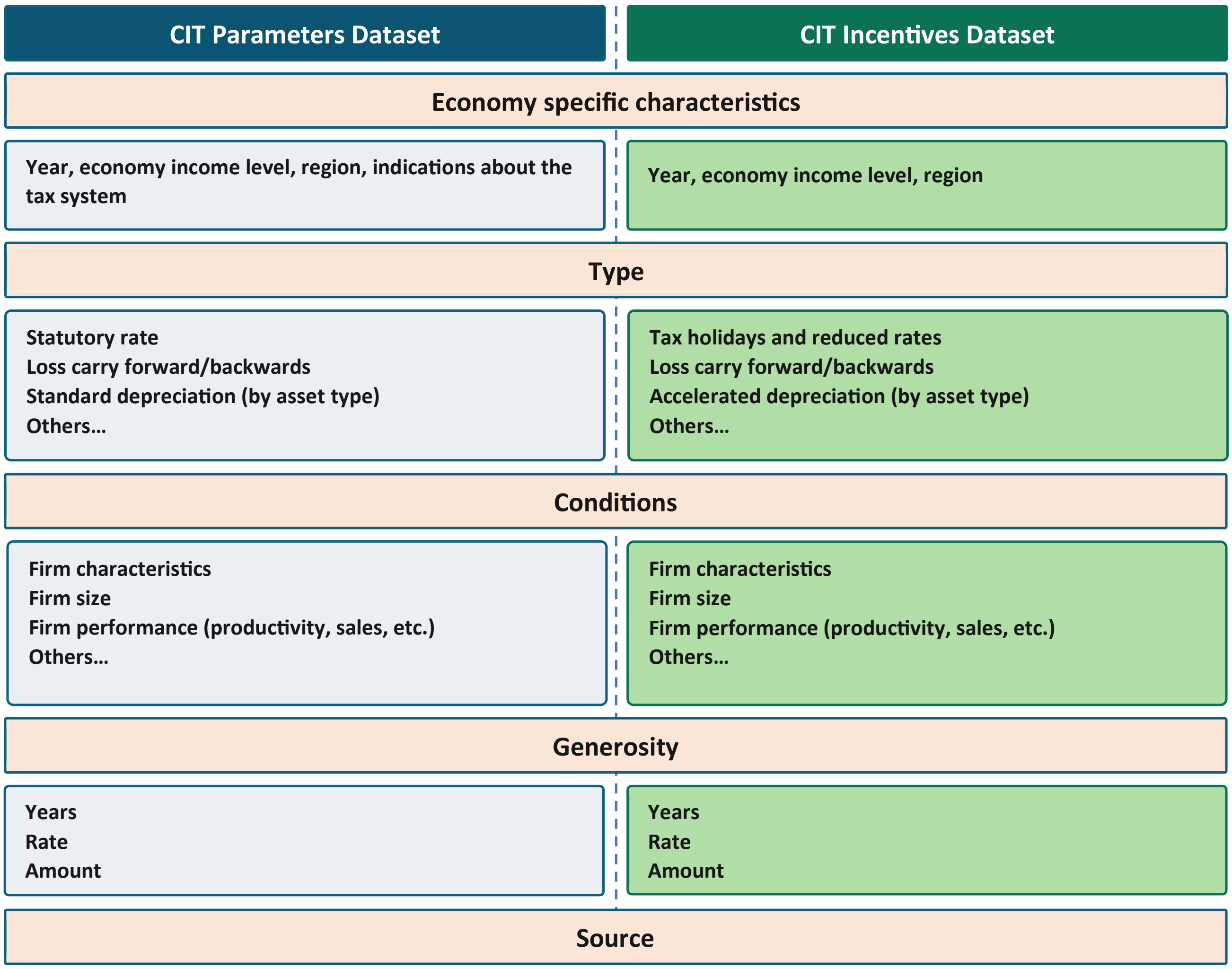
Standardized characteristics help align the data from the tax parameters and the incentives datasets to enable combination and comparison.

The CIT parameters dataset is a benchmark against which incentives are deviations. Understanding the deviation of an incentive from the benchmark level allows for more meaningful cross-country comparisons.

**The CIT parameters and CIT incentives datasets follow the same structure.** Both datasets incorporate conditions and generosity measures applicable to benchmark and offered incentives, detailing factors like firm characteristics, sector-based incentives using ISIC Rev.4 codes, and magnitude/generosity indicators like the duration of tax holidays or specific tax rates. The combination of these datasets enables comparability of tax incentives by economy—providing key data points to benchmark standardized indicators, including estimates of effective tax rates. The datasets are structured to cover six core datapoints which serve as the building blocks of each dataset (see also Figure 2):

1. **Tax year:** Tax years for which data has been collected.
2. **Economy-specific characteristics**: Includes income level, and region based on World Bank classifications.
3. **Parameter or Incentive type**: Denotes the specific type of parameter or incentive modality documented (see Table 2 and Table 3).
4. **Conditions**: Describes the requirements or eligibility criteria a firm must meet to qualify for a parameter or incentive.
5. **Generosity**: Represents the benefit duration, rates, and distinct features of the parameter concerning the baseline application. In the case of incentives, generosity details any deviation from the baseline, including years of benefit, rates, and specific characteristics beyond the baseline.
6. **Information sources**: Provides the sources used to code the parameter or incentive, supporting verification and reproducibility of the entry in the dataset.

*Figure 2. Structure of CIT Incentives Database*




**The datasets are organized by entries, each representing a specific tax parameter or tax incentive for an economy and year.**

## Economy Coverage

**The Database is intended to cover a variety of economies, both high income and developing, to support analytic needs and help identify good practices.** Currently the full Database covers over 47 economies with time series from 2009-2020 (see Table 1). Economies in **black** are the original 40 economies, on which information is publicly available through the streamlined Database[6] (see Section 4). Economies in **blue** have been more recently collected as part of the expansion efforts of the Database and are currently in the process of being fully integrated into the publicly available data.

*Table 1. Coverage of economies in CIT Incentives Database*

| Region | Low income | Lower middle income | Upper middle income | High income |
|---|---|---|---|---|
| **East Asia and Pacific** | | Philippines<br>Vietnam* | China<br>Fiji<br>Malaysia* | Australia<br>Japan<br>New Zealand |
| **Europe and Central Asia** | | | Albania<br>Kosovo<br>North Macedonia<br>Russian Federation<br>Serbia | Czechia<br>Germany<br>Gibraltar<br>Ireland<br>Netherlands<br>Norway<br>United Kingdom |
| **Latin America and Caribbean** | | El Salvador<br>Haiti | Brazil<br>Colombia<br>Dominican Republic<br>Mexico<br>Panama<br>Peru | Chile |
| **Middle East and North Africa** | | Egypt, Arab Rep.<br>Morocco | Iraq<br>Jordan | Saudi Arabia |
| **North America** | | | | United States of America |
| **South Asia** | | Bangladesh<br>India<br>Nepal<br>Sri Lanka | | |
| **Sub-Saharan Africa** | Congo, Dem. Rep.<br>Ethiopia<br>Madagascar<br>Togo | Angola<br>Côte d'Ivoire<br>Ghana<br>Nigeria<br>Zimbabwe | Mauritius<br>South Africa | |

*Note: Classification is based on World Bank's income and region classification in 2020.*
*Economies in **black** are the original 40 economies, which have information in the publicly accessible version of the streamlined Database.*
*Economies in **blue** have been more recently added as part of the expansion efforts of the Database.*
**Limited time series: Vietnam parameters (2020); Malaysia (2019-2020).*

## Types of tax parameters and tax incentives

**In total, the data covers 11 parameters.** Notably, certain parameters such as standard depreciation/capital allowance rate, slower versions, and accelerated versions are further divided into sub-categories, expanding the potential level of detail of an analysis (outlined in Table 2). Table 2 also includes sub-categories related to less favorable versions of standard parameters for loss carry forward/backwards and depreciation/capital allowance. These variables are denoted in **blue** in the corresponding table and can capture "dis-incentives" or penalties/additional tax burdens that may apply to some types of firms.

**The data covers 13 types of incentives (see Table 3), which can be collapsed to cover seven main types of incentive instruments, classified as cost- or profit-based (see Table 4).** These instruments are: tax holidays, reduced tax rates, extended loss carry forward/backward, accelerated depreciation, tax deductions of over 100%, tax credits and patent box. (Tax Payment Deferral/Delay and early Tax Refund are primarily related timing elements and while may be considered incentives, are not widely used).

*Table 2. Corporate Tax Parameters Dataset, Key Variables*

| **Corporate Tax Parameters** |
| --- |
| - **Statutory CIT Rate**<br>- **Higher CIT Rate**<br>- **Threshold for Paying CIT**<br>- **Loss Carry Forward**<br>- **Shorter Loss Carry Forward**<br>- **Loss Carry Backward**<br>- **Shorter Loss Carry Backward**<br>- **Other additional Tax Rate on Profits (e.g. municipality tax, provincial tax)**<br>- **Higher other additional Tax Rate on Profits (e.g. municipality tax, provincial tax)**<br>- **Standard Depreciation Rate by seven asset groups:**<br>▪ **Plant/machinery;**<br>▪ **Buildings**<br>▪ **Intangible assets**<br>▪ **Computer/data processing equipment**<br>▪ **Motor vehicles**<br>▪ **Office equipment/furniture**<br>▪ **Other**<br>- **Slower Standard Depreciation Rate by seven asset groups:**<br>▪ **Plant/machinery**<br>▪ **Buildings**<br>▪ **Intangible assets**<br>▪ **Computer/data processing equipment**<br>▪ **Motor vehicles**<br>▪ **Office equipment/furniture**<br>▪ **Other** |

*Note: The parameters in **blue** represent variables related to less favorable versions of standard tax parameters.*

*Table 3. Corporate Tax Incentives Dataset, Key Variables*

| **Tax Incentive Types** |
| --- |
| - **Tax Holiday/Tax Exemption**<br>- **Reduced CIT Rate**<br>- **Reduced Other additional Tax Rate on Profits (e.g., municipality tax, provincial tax)**<br>- **Percentage Reduced Taxable Income**<br>- **Percentage Reduced Tax Liability**<br>- **Tax Deduction above 100%**<br>- **Tax Credit**<br>- **Patent Box**<br>- **Extended Loss Carry Forward**<br>- **Extended Loss Carry Backward**<br>- **Tax payment deferral/delay**<br>- **Early tax refund**<br>- **Accelerated Depreciation/Capital Allowance Rate/Super-amortization/Write-off by seven asset groups:**<br>▪ **Plant/machinery**<br>▪ **Buildings**<br>▪ **Intangible assets**<br>▪ **Computer/data processing equipment**<br>▪ **Motor vehicles**<br>▪ **Office equipment/furniture**<br>▪ **Other** |

*Table 4. Summary of key corporate tax incentives by design classification*

| Tax incentive type | | Details |
|---|---|---|
| **Profit-based** | *Tax Holiday* | A tax rule which reduces the corporate income tax rate on all or part of the firm's income to zero percent indefinitely or for a limited period. |
| | *Reduced Tax Rate* | Any exception lowering the CIT rate below the statutory CIT rate level, though not complete elimination of the CIT liability. This category encompasses reduced CIT rate, reduced other additional tax rate on profits, percentage reduced tax liability and a percentage reduced taxable income. |
| | *Extended Loss Carry Forward/Backward* | An option that losses in one year can be offset against profits in the next/previous x year(s) to reduce the profits and thereby the tax liability in the following/previous x year(s). |
| | *Patent Box* | Allows firms to tax income received from certain activities associated with research and development (R&D), patents, innovation, and inventions at a lower rate than other income. |
| **Cost-based** | *Accelerated Depreciation* | Any depreciation approach employed in accounting for income tax considerations, enabling higher deductions for depreciation expenses. Accelerated depreciation includes specifications for five distinct types of assets in the Database: plant/machinery; buildings; intangible assets; computer/data processing equipment; motor vehicles; office equipment/furniture; other. |
| | *Tax Deduction> 100%* | A deduction of a percentage of expenses from chargeable income that in turn leads to a lower tax liability. Database coverage primarily captures deductions of more than 100% (e.g., double deductions of R&D expenditures). |
| | *Tax Credit* | An amount by which the final tax liability can be reduced. |
| **Other** | *Tax Payment Deferral/Delay* | A firm can delay the payment of taxes owed to the government beyond the standard or original due date. |
| | *Early Tax Refund* | A firm receives a refund of overpaid taxes from the government before the standard or official tax filing deadline. |

## Conditions: eligibility criteria

**The Database catalogues over 25 "condition" categories that cover the eligibility criteria for firms to receive incentives or special tax treatment.** Tax incentives are often granted to firms based on fulfilling certain eligibility criteria or conditions**.** In the Database, these are subdivided into firm characteristics (e.g. sector-based, location-based), firm size (e.g. profit, assets, turnover/sales, # employees) or performance (e.g. investment level, sales growth, export share, job creation).[7] To allow for a more systematic analysis of tax parameters and tax incentives across firms, the Database includes ISIC Rev.4 codes for sector-based incentives. The most common conditions have been classified into 29 categories that evolved from research (see Table 5).

**The Database then includes a second level of detail to further describe each condition category**. For each of the 29 condition categories, additional specifications are systematically catalogued, resulting in over 100 second level of detail conditions. These second order conditions are listed in Table 6. For example, In the case of investment related condition, the second-order condition would discern if the investment relates to 'fixed assets,' or is specified further, such as 'assets for new technology adoption or upgrade,' 'assets of state-owned companies,' 'land and/or buildings,' among other options. Often incentives include multiple conditions, which are each captured in the Database under that respective incentive entry.

*Table 5. List of conditions*

| Conditions |
|---|
| Universal (for Corporate Tax Parameters Dataset) |
| **Firm Characteristics** |
| Sector based (ISIC Rev4 code) |
| Location based (e.g. regions, municipality, city) |
| Relocation (e.g. existing business moving to another location in the economy) |
| Special economic zones/Export processing zones/Special economic development areas |
| Incorporation type (e.g. private, Ltd., stock listed, state-owned) |
| HQ (international /regional) |
| domestic firm only |
| Multinational Corporation (MNC) only |
| Economy of parent company, economy foreign investor |
| foreign shareholder/foreign investor/foreign firm |
| New Incorporation/business starting/construction date |
| Existing firm/construction project (excl. new firms/construction projects) |
| Firm Size (e.g. profit, assets, turnover/sales, # employees) |
| **Firm Performance** |
| Investment related /construction requirement |
| Export/Import related |
| Climate/environment related (e.g. renewable energy, energy efficiency) |
| R&D, innovation or intellectual property related expense/investment |
| Benefits for employees (extra health insurance, work from home, extra leave, etc.) |
| Employee training related |
| Diversity (incl. gender, race, religion, disability, youth, indigenous, other minority groups) |
| Ownership share/(No) Change in Share related |
| Change in nature of business/diversification of production |
| Domestic requirement (e.g. domestic/local: production, inputs, workforce, development) |
| Digitalizing business operations (i.e. paper to digital, in person to digital) |
| Other Firm Performance Conditions (e.g. sales, inputs, workforce) |
| **Additional review** |
| **Other** |

*Table 6. Conditions: Second level of detail*

| Second order conditions | |
|---|---|
| • # of disabled employees | • investment (see condition description) |
| • # of employees | • investment in assets |
| • (gross annual) turnover/revenue | • investment in assets for new technology adoption or upgrade |
| • (gross annual) turnover/revenue from export | • investment in assets of state-owned company |
| • (gross annual) turnover/revenue received/earned in foreign economy | • investment in fixed assets |
| • (gross annual) turnover/revenue received/earned in foreign currency | • investment in intangible assets |
| • age of entrepreneur | • investment in land and/or buildings |
| • age of firm | • investment in new innovative company |
| • assets (tangible and intangible) | • investment in new shares of domestically operating firm |
| • assets under management | • investment in old building (construction date) |
| • brownfield investment | • investment in social project |
| • capital to labor ratio | • investment in tangible assets |
| • change in # of employees | • investment in venture capital firm |
| • change in export | • involved innovation-driven activities |

| | |
|---|---|
| • change in nature of business<br>• change in production capacity<br>• change in salary payment<br>• construction of residential property<br>• diversification of production<br>• domestic (gross annual) turnover/revenue<br>• domestic citizen shareholding<br>• Domestic citizen/beneficial owner<br>• domestic investment<br>• domestic production/development/service provision<br>• effective capital<br>• emission level<br>• energy efficiency improvement expenses /investment<br>• energy generation<br>• environment conservation and improvement expenses/investment<br>• equity capital<br>• expansion<br>• expenditure<br>• expenses for R&D conducted externally<br>• expenses/investment for R&D conducted abroad<br>• expenses/investment for R&D conducted domestically<br>• export<br>• FDI<br>• first x amount of investment in fixed assets<br>• global (gross annual) turnover/revenue<br>• greenfield investment<br>• gross income from copyrights, patents, or related rights (but not from the disposal of the rights)<br>• gross income from specific product/service/sub-sector as share of total income (see condition description)<br>• health insurance/financial aid (e.g. family leave)/assistance<br>• import<br>• indigenous shareholding<br>• in-house R&D expenses/investment<br>• investment in tangible assets<br>• investment (not further specified) | • losses incurred<br>• net profit<br>• non-dormant company<br>• offshore banking income<br>• operational expenditure<br>• ownership change percentage<br>• paid dividends/declared dividends<br>• paid up capital/paid in capital<br>• passive income<br>• Patent granted by UK or European patent office<br>• payment of loans<br>• physical offices<br>• pre-tax profit from copyrights, patents, or related rights (but not from the disposal of the rights)<br>• production capacity increase<br>• productivity improvement<br>• R&D expenses/investment<br>• renewable energy expenses/investment<br>• renovation/expansion<br>• repatriation/moving capital to economy from abroad<br>• resident shareholding<br>• return on investment<br>• revenue from unrelated sectors<br>• service provision<br>• share capital<br>• shareholding<br>• specific export products/economies (see condition description)<br>• sponsoring/donations/contributions for R&D conducted by external parties<br>• tax liability<br>• tax rate paid on taxable income<br>• taxable income/chargeable income/pre-tax income/pre-tax profit<br>• termination of business line<br>• total project costs<br>• training<br>• transactions with non-residents<br>• transactions with residents<br>• value added<br>• wages<br>• working hours (shift) asset use |

## Generosity

**Information is collected on the generosity of incentives, including the benefit duration, rates, and distinct features concerning a deviation from the baseline application.** Information is collected on various dimensions, and includes data for all incentives on:

- Duration: Number of years the incentive is available.
- Carry Forward/Backward Options: Whether the incentive allows these extensions.
- Caps: Whether there is a cap or limit on the benefit that can be received.

Additionally, the database collects additional generosity information for specific incentive types:

- Tax Holidays, Reduced Rates, Accelerated Depreciation, Patent Box: Rate offered.
- Tax Credits and Deductions: Percentage or flat amount provided.

Finally, the database includes any unique details or special conditions regarding the generosity of each incentive, providing a detailed context for how these incentives apply.

## Counting logic

**For comparative analysis, it is necessary to count incentives. The database is organized such that information for a single incentive may span multiple lines. Therefore some rules must be taken into account to avoid double counting.** Counting logic is applied to classify whether incentives are identified as unique--with the aim of addressing potential double-counting and ensuring consistency when referencing the number of incentives offered**.** Incentives can be classified as having no special structure, or being progressive, sequential, a selection or cumulative. Section 4 details the definitions of these structures and how they are counted.

### *Accounting for the structure of CIT incentives*

- **No special structure[8]:** The primary feature of this type of incentive is that the incentive is rewarded within the corresponding fiscal year as the firm meets the necessary requirements. This represents the most straightforward and simple structure for incentives. Incentives without any special structure are counted as an individual incentive.
- **Progressive:** Progressive incentives have a varying level of generosity that firms can receive based on meeting specific criteria or thresholds—such as those relating to income, investment, or employment. For instance, as a firm invests more or employs more people, the level of generosity increases. Each bracket within a progressive incentive is counted individually as a separate incentive.
- **Sequential:** Sequential incentives follow a specific sequence or progression over a set period. For example, a company may be granted a tax holiday for the first three years and then receive a reduced tax rate for the subsequent four years. Another example could be a depreciation schedule where the depreciation percentage changes over a series of years (for example, 50 percent in the first year, 20 percent in the second year, and 10 percent for the following three years). Sequential incentives, regardless of the number of sequences involved, are treated as a single incentive.
- **Selection:** Some economies offer incentive packages that provide firms with a choice between two or more incentives. For instance, firms may have the option to select between a tax deduction, a tax credit, or accelerated depreciation. In some cases, firms can choose from different packages that include multiple parameters or incentives. Therefore, it is not simply a choice between individual parameters or incentives, but rather a selection among various packages of parameters or incentives available to the firm. Since multiple options are offered as incentives, each choice is counted as an individual incentive.
- **Cumulative**: Cumulative incentives refer to those elements that are part of a dynamic collection of varying tax parameters or incentives, where their respective generosity is aggregated. This collection is subject to variation because different tax parameters and incentives possess distinct conditions, and a company can only accumulate the generosity of those elements for which it meets the conditions.

Unlike progressivity, sequence, or selection, the conditions within a cumulative set can differ. For instance, if there are 10 different tax incentives, each offering a two-year tax holiday, a firm would need to aggregate them as 10 multiplied by 2 years, resulting in a total of 20 years, provided the firm meets the conditions for all the tax incentives that potentially contribute to the cumulative set. Cumulative incentives are classified as individual incentives. While uncommon, there are a few instances of incentive structures with multiple cumulative incentives embedded. To avoid skewing the data, we have limited the count to a maximum of five cumulative incentives (e.g., reduced rates) per case in the database, even if more were offered under this structure.

### *Counting of sectors of CIT incentives - special cases*

**Given the complexity of incentive schemes, a special case may occur when incentives are offered to an extensive list of sectors.** In some instances, incentives are not available across the entire economy but are instead restricted to a long list of specific sectors. This can lead to cases where an incentive is recorded under two or more entries, potentially resulting in double counting. These entries contain identical information in all fields, except for the sector fields. The streamlined version of the database addresses this issue to prevent double counting. While these cases are rare, when using the full version of the database it is necessary to check for potential double counting where one incentive is offered to many sectors.

## 3. Caveats and limitations of the Database

### Using and interpreting the data: key considerations

**The information provided in the Database was manually compiled from public sources by World Bank staff and consultants. The data was not reviewed/confirmed by the governments of the covered economies nor an external party.** While efforts are made by the project team to ensure the accuracy and integrity of the data, inaccuracies, omissions and/or errors may remain. Related caution should be exercised when using the data, especially for economy-specific insights. The Database is best suited to extrapolate higher-level trends. As the data is piloted across different analytic needs, entries may be re-evaluated and updated to maintain accuracy and consistency. Updates/revisions to the Database could result in some variation across different versions of the Database at the economy or incentive level.

**While the Database offers rich novel detailed information on CIT incentive schemes, there are important limitations in terms of how to interpret and use the data, with key considerations highlighted here below:**

- **The focus of the Database is on de jure elements of the number and design of incentives offered**. It captures the count of different CIT incentives—not the uptake of these incentives nor their fiscal costs. That said, the number and proportion of incentives offered can provide insights into the level of complexity of the incentives regime and potentially reflect government prioritization of a certain sector, activity, policy objective, and so on. ***It is important to highlight though when interpreting the count of incentives, there is no weight denoted in terms of the uptake, scope of eligibility, or the fiscal costs.***
- **The Database only documents information on available incentives that firms can avail in the respective tax year, excluding any previously granted incentives**. This applies to both new and established firms in the market. This means the data does not cover grandfathered incentives that may still be in place from prior years for existing firms.
- **The Database prioritizes systematization over detail for comparative insights**. While a wealth of parameters is covered with space for qualitative inputs, some specific economy-level nuances may not be captured or included in broader analytics.
- **Only national-level incentives are covered. Taxes at a subnational level were only gathered when municipal, regional, or state-level income taxes were deemed relevant for understanding the overall tax landscape.** For instance, in the United States, state-level taxes have been factored in. Panama features specific taxes designated for the municipality of Panama, while Germany relies on municipal taxes on profit. In the latter case, information is presented as a reference, using the median value across all municipalities.

### A note on scope: elaboration of what is not covered in the Database

- **Only information on tax parameters and tax incentives related to Corporate Income Tax (CIT) is collected in the Database.** This includes taxes directly related to corporate income, such as regional or municipality level additional taxes on corporate income and taxes on sales or turnover instead of profit before tax/taxable income. Tax parameters and tax incentives related to other forms of taxes affecting firms, such as, VAT, real estate tax, property tax, customs duties, import/export tariffs and payroll taxes are thus by definition of the Database out of scope, as their inclusion would take significantly more time, and thus exceeds the scope of the project.

- **Tax deductions of less than 100% of the value of the expense are generally not included in the Database,** as these are considered standard deductions. Only tax deductions, of expenses exceeding 100%, such as double deductions, are included. Though it is acknowledged that corporate tax incentives may also originate from the accounting differences by which chargeable income is calculated, accounting for acceptable and non-acceptable tax deductions in each economies' tax system goes beyond the scope of the project. If the deduction of less than 100% belongs to a sequence, progression, selection or cumulative package, then these incentives are included in the Database, as these are considered to potentially be of economic value.

- **No information is collected on personal income tax**, even though some small business owners are required to file personal income taxes rather than corporate income taxes, as the focus of the Database is on corporate tax incentives. The tax expenditure of small business owners falling under the personal income tax law is beyond the scope.

- **No information is collected on tax relief/foreign tax credit due to double-tax-treaties/agreements or remittance/repatriation of profit taxes**, as this exceeds the scope of the Database.

- **No information is collected on withholding taxes or any other sort of taxes on interest, dividends and capital gains,** as these would add additional complexity to the datasets and are beyond scope of the data collection efforts.

- **No information is collected on incentives granted to international organizations, charitable organizations, religious institutions, or sports clubs,** as the value of such incentives would not be of economic value in terms of magnitude. If not excluded by other rules, incentives related to donations/sponsoring of sport clubs or events are included in the Database as such expenditures could be considered as a form of marketing and through that channel be of large economic value.

- **No information is collected on incentives granted to workplaces specialized on employing almost exclusively disabled people with the purpose of keeping them occupied in a workplace setting**, as the value of such incentives would not be of economic value in terms of magnitude. If not excluded by other rules, incentives conditional on the employment of disabled people in regular businesses are included in the Database, as these are considered to potentially be of economic value and interesting from a policy research point of view in terms of stimulating diversity in the workforce.

- **No information is collected on incentives granted to prisons or workplaces specialized on employing almost exclusively people in prison or sanctioned by law with the purpose to keep them occupied and reintegrate into a working life schedule**, as the value of such incentives would not be of economic value in terms of magnitude. If not excluded by other rules, incentives conditional on the employment of people under sanctions or prisoners in regular businesses are included in the Database, as these are considered to potentially be of economic value and interesting from a policy research point of view in terms of encouraging rehabilitation.

- **The data collected on parameters and incentives only captures such incentives that are listed in the respective tax year and are available to firms to still take advantage of it during the respective tax year**. This applies to both new and established firms in the market. The datasets concentrate solely on currently available incentives, excluding any previously granted incentives. The Database does not cover the incentives that have expired for new applications in the given year, but that are still granted to firms that have received these incentives in the past and might continue receiving them during the covered period.

- **The Database is based on information of incentives in the public domain and does not capture specific data on case-by-case incentives.** Incentives that are negotiated directly between firms and the government, for example, are not covered in the Database. Often, these negotiations are not formally recorded or publicly disclosed. Even in cases where the incentive is publicly available, not all associated benefits are typically revealed.

- **Sources supporting the information collected on each incentive are provided via external links. However, these links may expire or be relocated.** If the resource is unavailable, please contact the World Bank Investment Climate Unit directly, as they maintain the historical data for each incentive.

# 4. Glossary of Variables

## Corporate Tax Parameters

**Tax parameters refer to the standard tax system rates that provide a benchmark for any potential incentives granted.** Any exceptions to the standard that create additional financial burden for a firm, such as a higher CIT rate imposed on the mining industry (which results in a higher tax liability) are also listed in the Tax Parameters Dataset. The Tax Parameters Dataset includes the following parameters:

- **Statutory CIT Rate:** This is the standard de jure CIT rate, which is universally applicable. All firms face the statutory rate unless they fulfill the conditions for a higher CIT rate, fall below the threshold for paying CIT or qualify for a tax incentive.

- **Higher CIT Rate:** This rate is higher than the standard CIT rate and apply only to a particular set of firms falling into a particular condition. For example, some economies have a higher CIT rate for oil and gas or mining companies.

- **Threshold for Paying CIT:** Often companies that exceed a certain threshold of profit or turnover are mandated to pay CIT. This parameter specifically gathers information about this threshold. It is important to highlight that this parameter focuses solely on instances where companies are liable to pay taxes when their profits exceed this threshold. In simpler terms, companies falling below this threshold are exempt from paying any CIT. This parameter is considered applicable only if companies below this threshold are not subjected to any form of CIT related taxation. Therefore, if firms below a certain threshold are liable for other taxes, such as a minimum or presumptive tax, it is not considered as the threshold for paying CIT.

- **Loss Carry Forward:** This refers to a tax provision that allows a business to use its net operating losses (NOLs) from previous years to offset future profits and reduce taxable income. When a company operates at a loss in a particular tax year, the amount of this loss can be carried forward to offset taxable income in future years. This helps the company reduce its tax liability when it starts making profits again.

- **Loss Carry Backward:** This refers to a tax provision that allows a business to apply its current year's net operating losses (NOLs) against profits from past years, effectively seeking a refund for taxes paid in those prior years. Instead of carrying losses forward to offset future income, as in loss carryforwards, loss carryback allows a company to retroactively apply its current year's losses against profits reported in earlier years.

- **Standard Depreciation/Capital Allowance/Amortization Rate (plant/machinery, buildings, intangible assets, computer/data processing equipment, motor vehicles, office equipment/furniture, other):** The standard depreciation rate is the default rate assigned to a specific type of asset. In the Tax Parameters Dataset, standard depreciation is always collected, as well as the depreciation method used (straight line or declining balance method, etc.)

- **Other additional Tax Rate on Profits (e.g. municipality tax, provincial tax):** This category covers additional corporate income-related taxes, if they apply. While CIT is typically collected nationally, some economies also impose corporate income taxes at regional or sub-regional levels, such as federal, provincial, or municipal taxes. This category details the conditions and rates of these additional taxes.

**The following additional parameters that may be offered by certain tax systems are covered as well:**

- **Shorter Loss Carry Forward:** This parameter is included when economies impose limitations on certain groups of firms, through a shorter period or less advantageous terms for loss carry forwards compared to the standard/default provisions. In some instances, economies may apply less favorable conditions specifically to industries categorized as pollutant sectors, such as oil and gas or mining.

- **Shorter Loss Carry Backward:** This parameter is included when economies impose limitations on certain groups of firms, through a shorter period or less advantageous terms for loss carry backwards compared to the standard/default provisions. In some instances, economies may apply less favorable conditions specifically to industries categorized as pollutant sectors, such as oil and gas or mining.

- **Slower Depreciation/Capital Allowance/Amortization Rate (plant/machinery, buildings, intangible assets, computer/data processing equipment, motor vehicles, office equipment/furniture, other):** This parameter is included when economies impose limitations on certain groups of firms, through a much slower or less favorable terms than the default depreciation. In some instances, economies may apply less favorable conditions specifically to industries categorized as pollutant sectors, such as oil and gas or mining.

- **Higher other additional Tax Rate on Profits (e.g., municipality tax, provincial tax):** This parameter is included when economies impose additional corporate income-related taxes, often at the local government level (e.g., federal, municipal, provincial), if they surpass the default additional tax rate compared to the standard additional tax rate on profits in the same location. In specific cases, economies might apply less favorable conditions to industries categorized as pollutant sectors, such as oil and gas or mining.

## Corporate Tax Incentives

**Any deviations from the tax parameters (that provide the standard/benchmark rule) or additional tax rule specificities that allow a firm to reduce its tax expenditure, are considered for the purpose of the Tax Incentives Dataset.** The Dataset includes the following incentives:

- **Tax Holiday/Tax Exemption:** This incentive is granted for a period, either indefinite or for a specific duration, during which a government exempts firms from paying CIT. When a tax holiday has a limited time frame, it's termed as having a "sunset clause," indicating its termination after a specified period. In contrast, if the tax holiday is granted without any defined endpoint, it's considered indefinite.

- **Reduced Tax Rate:** The standard rate of corporate taxation imposed by a government is lowered for certain businesses, industries, or under specific circumstances.

- **Reduced Other additional Tax Rate on Profits (e.g. municipality tax, provincial tax):** This incentive applies when other additional tax rates on profit are imposed at a local government level. It involves a reduced tax rate compared to the standard rate set by the same local government. For instance, in Japan, the Tokyo prefecture imposes an additional tax on profit, known as the “local corporate tax”, in addition to the central government income tax. Yet, the prefecture provides a reduced tax rate for small and medium-sized enterprises (SMEs) for the “local corporate tax.”

- **Percentage Reduced Taxable Income:** This incentive combines elements of a reduced tax rate and a deduction. It involves reducing a certain percentage from the final taxable income before applying corporate income tax. Instead of directly lowering the tax rate, it reduces the tax base after factoring in depreciation and deductions.

- **Percentage Reduced Tax Liability:** This incentive combines elements of a reduced tax rate and a deduction. It involves reducing a certain percentage from the final tax liability, that after applying the appropriate tax rates, deductions, credits, and exemptions to the taxable income. Instead of directly lowering the tax rate, it reduces the tax liability.

**Difference between Taxable Income and Tax Liability**
Taxable income and tax liability are both important concepts in taxation, but they represent different aspects of a taxpayer's financial responsibilities:

- **Taxable income** is the amount of income used to calculate how much tax a corporation or firm owes to the government. It includes various sources of income, such as wages, salaries, interest, dividends, rental income, capital gains, and business profits, minus allowable deductions and exemptions. Taxable income is the base figure upon which tax rates are applied to determine the actual tax owed.
- **Tax liability** refers to the actual amount of tax owed to the government based on the taxable income. It's the final calculation after applying the appropriate tax rates, deductions, credits, and exemptions to the taxable income. Tax liability represents the actual amount a taxpayer is required to pay to the government in taxes for a specific tax period.

Taxable income is the tax base upon which the applicable tax rates are applied to calculate the tax liability.

- **Tax Deduction above 100%:** This deduction involves subtracting a percentage of expenses from taxable income, resulting in reduced tax liability. However, only deductions exceeding 100% are collected in this Database. Tax deductions equal to or less than 100% are exceptionally included only if they're part of a progression, sequence, selection, or cumulative set.

- **Tax Credit:** A tax credit is a direct reduction in the amount of tax a corporation or firm owes to the government. Unlike deductions, which reduce taxable income, tax credits are applied directly to the tax liability, providing a dollar-for-dollar reduction in the actual amount of tax owed.

- **Patent Box:** Also known as an intellectual property (IP) box or innovation box, is a tax incentive or regime offered by some economies to encourage innovation, research, and development within their borders. It provides a preferential tax rate or tax deduction on profits earned from patented inventions or other intellectual property.

- **Extended Loss Carry Forward:** It refers to an extended period during which a corporate or firm can carry forward its net operating losses (NOLs) from one tax year to offset future profits and reduce taxable income. In taxation, net operating losses occur when a business's deductible expenses exceed its taxable revenues, resulting in a negative taxable income. The concept of an extended loss carry forward allows firms to use these NOLs beyond the standard limit set by tax authorities. Instead of the usual restriction, which might limit the carry forward period to a certain number of years, an extended loss carry forward provisions grant firms a longer period to apply these losses against future profits for tax purposes.

- **Extended Loss Carry Backward:** Extended loss carry backwards is a tax provision that allows a corporations or firms to apply its current year's net operating losses (NOLs) against profits reported in previous tax years for an extended period beyond the standard limitations set by tax authorities. Typically, the ability to carry losses backward is limited to a specific number of years, allowing firms to offset current losses against profits from past years and potentially receive a refund for taxes paid in those previous years. However, an extended loss carry backward provision offers a longer timeframe beyond the standard limitation, enabling firms to apply current losses against profits reported in earlier years, potentially amending previous tax returns and obtaining refunds for taxes paid in those years.

- **Accelerated Depreciation/Capital Allowance Rate/ Super-amortization/ Write-off (plant/machinery, buildings, intangible assets, computer/data processing equipment, motor vehicles, office equipment/furniture, other):** This incentive is a write off the cost of assets more quickly than under standard depreciation methods. Under accelerated depreciation, assets are depreciated at a higher rate than the standard rate. This means that a higher portion of an asset's cost is deducted as an expense in the early years of its use, which reduces taxable income and, consequently, reduces the amount of tax owed.

- **Tax payment deferral/delay:** A tax payment deferral/delay is a provision that allows corporations or firms to delay the payment of taxes owed to the government beyond the standard or original due date. This deferral doesn't eliminate the tax liability but rather postpones the deadline for payment.

- **Early tax refund:** An early tax refund is a process where a corporation or firm receives a refund of overpaid taxes from the government before the standard or official tax filing deadline. Typically, tax refunds are issued after an individual or business files their tax return, and it's determined that they have paid more taxes than owed.

## Corporate Tax Conditions

**Application of corporate tax parameters and incentives can be contingent on specific factors related to firm characteristics, size, performance criteria, and occasionally, unique requirements.** These conditions are systematically organized across the columns of the Database, with each column offering detailed information about the precise criteria required for a given incentive. Furthermore, to ensure a comprehensive and complementary representation of standardized information within the Database, there is a designated free-text field. This field allows for additional descriptions, particularly when the incentive entails requirements that extend beyond the scope of what standardized conditions can capture.

**The list below provides a brief definition of the conditions recorded in the CIT Incentives Database:**

- **Universal:** This denotes a tax parameter that applies universally to all firms and inherently excludes any additional conditions. If a condition is universal, it is not necessary to detail any specific conditions. This notation applies when describing baseline tax parameters under the relevant Dataset. It is not applicable to tax incentives which are, by definition, provided to a subset of firms.

- **Sector based (ISIC Rev4 code):** This condition applies when a tax parameter or incentive exclusively applies to firms operating within a particular industry or economic sector. It specifies that the benefiting firm must operate within a designated economic sector, such as the mining sector, to receive the incentive. This condition is differentiated from an investment condition, where the incentive is related to investing in a mining company or mining-related machinery/assets. In the case of an investment condition, the firm itself might operate in a different sector, but the incentive is tied to investments in the targeted mining sector.

- **Location based (e.g. regions, municipality, cities):** This condition concerns a tax parameter or incentive that applies solely to a specific region, city, or other designated location.

- **Relocation (e.g. existing business moving to another location in the economy):** This condition pertains to a tax parameter or incentive that exclusively applies when a firm relocates to another location within the same economy.

- **Special economic zones/Export processing zones/Special economic development areas:** Special Economic Zones (SEZs) are conceived as more than just a subset of location-based conditions; they are demarcated areas within an economy operating under distinct economic regulations and incentives. Conditions specific to firms operating within these zones, like Special Economic Zones (SEZs), Export Processing Zones (EPZs), or Special Economic Development Areas, are unique due to the tailored mandates they provide. Given their significance and prevalence in developing economies, conditions to reside in these zones have been classified separately within the condition categories.

- **Incorporation type (e.g. private, Ltd., stock listed, state-owned):** This condition requires a specific company's incorporation type, which could include a holding company, stock-listed company, private company, or limited liability company, among other economy specific categories.

- **HQ (international/regional):** This condition applies when a firm operates as an international/regional headquarters or relocate its headquarters to the specific economy in question.

- **MNC only:** This refers to a condition that requires the firms to be affiliate of a MNC operating in the economy.

- **Domestic firm only:** This condition covers requirements where a firm must be purely a domestic entity, not affiliated with or serving as the headquarters of a MNC.

- **Foreign shareholder/foreign investor/foreign firm:** This condition applies when a tax parameter or incentive exclusively pertains to foreign shareholders, investors, or firms.

- **Economy of parent company/economy foreign investor:** This condition is limited to firms having a direct owner or an indirect global ultimate owner situated in a specific foreign economy for which the data is recorded in that entry.

- **New incorporation/business starting/construction date (no date, between dates, before/after date):** This condition mandates that a company must be either completely new, such as a start-up, or incorporated, founded, or have commenced construction within specified dates (before, after, or on a particular date).

- **Existing firm/construction project (excl. new firms/construction projects):** This condition applies to firms that are established and not specifically engaged in new construction projects, focusing instead on ongoing or existing endeavors.

- **Firm size (e.g. profit, assets, turnover/sales, # employees:** This category covers conditions associated with defining firm size, encompassing criteria such as profits, assets, turnover/sales, or the number of employees, as used by different economies. This condition is exclusively used when the source explicitly categorizes firm size using terms like 'micro,' 'small,' 'medium,' 'large,' 'SME,' or 'MSME.' It's important to note that economies also have performance conditions covering similar criteria, albeit with a different focus. Thus, when distinctions solely revolve around different turnover/sales/employment thresholds without explicit references to corresponding firm sizes, these conditions should be categorized under 'firm performance conditions.'

- **Investment/construction condition (e.g. minimum/maximum amount, investment in a specific sector):** This condition typically involves an investment spectrum, spanning from greenfield ventures to the acquisition of state-owned assets. For instance, it could encompass mandates like constructing a building valued at a minimum of USD 10 million or requiring an investment of at least USD 5 million.

- **Performance condition (e.g. sales, inputs, workforce):** This category encompasses second-level conditions that target specific behaviors of a firm under the incentive, addressing aspects not covered by other condition categories. Examples of performance conditions include meeting a minimum threshold of generated sales revenue or achieving a specific change in the number of employees (see Table 6 for more details).

- **Export/import related:** This condition specifies the export/import of a certain quantity or surpassing a specific threshold of production from any supplier or a designated economy.

- **Climate/environment related (e.g. renewable energy, energy efficiency):** This condition applies to firms involved in generating renewable energy or meeting specific criteria tied to investments in climate, environmental protection, and sustainable energy sources. Its usage depends on whether the source explicitly categorizes the parameter or incentive as related to climate, environment, green initiatives, or sustainable energy. If there is an incentive for renewable energy that does not explicitly classify it under climate or environmental categories, the Database does not automatically assume its climate relevance. To gain a more comprehensive understanding of climate-related CIT incentives demands a thorough exploration of an economy's incentive framework.

- **R&D, innovation or intellectual property related expenses/investment:** The R&D condition requires active engagement in research and development (R&D) by the firm benefiting from the tax incentive, evidenced through R&D expenditures or revenue generated from R&D activities. Therefore, the following do not qualify as R&D conditions: mandates involving passive investment in firms or shares of an R&D company, or the trading of a patent. However, the sale of a patent is considered an R&D condition if the seller developed the patent.

- **Benefits for employees (extra health insurance, work from home, extra leave, etc.):** This condition pertains to benefits that exceed the standard legal requirements within an economy. For instance, it is implemented when governments aim to encourage companies to adopt work-from-home policies or flexible work hours for their employees. Similarly, in regions where there is no compulsory employer contribution to health or pension insurance, but the government offers incentives for firms that do so, this condition becomes relevant. However, in economies where formal firms are inherently required to provide workers with health insurance by default, this specific condition may not apply.

- **Employee training related:** This condition encompasses a range of requirements, such as offering paid study leave to a percentage of employees annually, providing vocational training to a specific number of unskilled workers, or ensuring computer literacy training is available for all employees.

- **Diversity (incl. gender, race, religion, disability, youth, indigenous, other minority groups):** This encompasses conditions tied to specific demographic groups, such as mandates concerning the proportion of female employees or the representation of indigenous shareholders.

- **Ownership share/(No) Change in ownership:** This condition stipulates that a firm must maintain a certain percentage of shares in a specific manner. Additionally, it addresses the eligibility or non-eligibility of a tax parameter/incentive when there's a merger, acquisition, divestment, or any change in shareholder composition or ownership.

- **Change in nature of business/diversification of production:** This refers to changes or expansion of sectors in which the firm operates.

- **Domestic conditions (e.g. domestic/local: production, inputs, workforce, development):** This condition pertains to any requirement mandating national, local, or domestic development or production. It involves employing predominantly local workers instead of expatriates or exclusively procuring locally produced goods. Essentially, it involves a requirement that the firm must conduct or fulfill specific tasks or operations domestically or locally.

- **Digitalizing business operations (i.e. paper to digital, in person to digital):** This condition requires firms to digitalize their operations, this could be as simple as scanning files instead of paper-based archiving or moving from manual to programmed machine operation or the use of robotics.

- **Additional review conditions:** This relates to tax parameters or tax incentives that involve some form of additional review. This condition is further grouped into four subcategories:

- Special Approval: In such cases, a specific body—such as a president, ministry, or committee—holds the authority to make the final decision regarding the incentive's approval.
- Special Certification: This arrangement requires a firm or project to obtain a specialized certification, sometimes from a designated third-party entity or even a governmental institution.
- Special Registration: A special registration mandates an additional registration process for a firm or project seeking the incentive. It often extends beyond a standard application, requiring registration with entities like associations or ministries for eligibility.
- Other types of reviews: In this case, various additional review processes are considered, including case-by-case evaluations or situations where a specific review method is not explicitly defined.

- **Other:** This includes any non-standardized conditions as defined in the database and listed above, with the details of the requirement provided in the "Condition Description" column. Examples for such other conditions are diverse and include requirements such as having a loan from a foreign bank, earning income in USD, expenditure or income received for projects related to disaster relief, or reconstruction after a disaster. Another use of this condition is to specify certain specific assets, for which for instance a depreciation rate is applied, in the condition description.

- **NOT AVAILABLE:** In the Database, when no conditions are required, 'Not available' is entered. This applies to parameters where all firms receive the same level of generosity. This condition is used to comply with the rule that the Corporate Tax Parameters Dataset lists at least one entry for each benchmark tax parameter and higher CIT for each economy, even though some tax parameters may not exist in all economies. If such a tax parameter does not exist, the condition is set to not available. This condition is not used in the Tax Incentives Dataset, as entries are included only for incentives that are both existing and targeted—in other words, each incentive must have at least one specific targeting condition.

## 5. Streamlined Corporate Income Tax Incentives Database

### Overview

**Given the complexity and high level of detail of the World Bank CIT Incentives Database, the Investment Climate Unit developed a complementary "streamlined" version that aims to summarize key information in a format that is more accessible to researchers and external parties.** The streamlined Database effectively highlights the main characteristics of incentives, presenting the data in a summarized, more user-friendly format. It focuses on the modality, structure and conditions of the incentives.

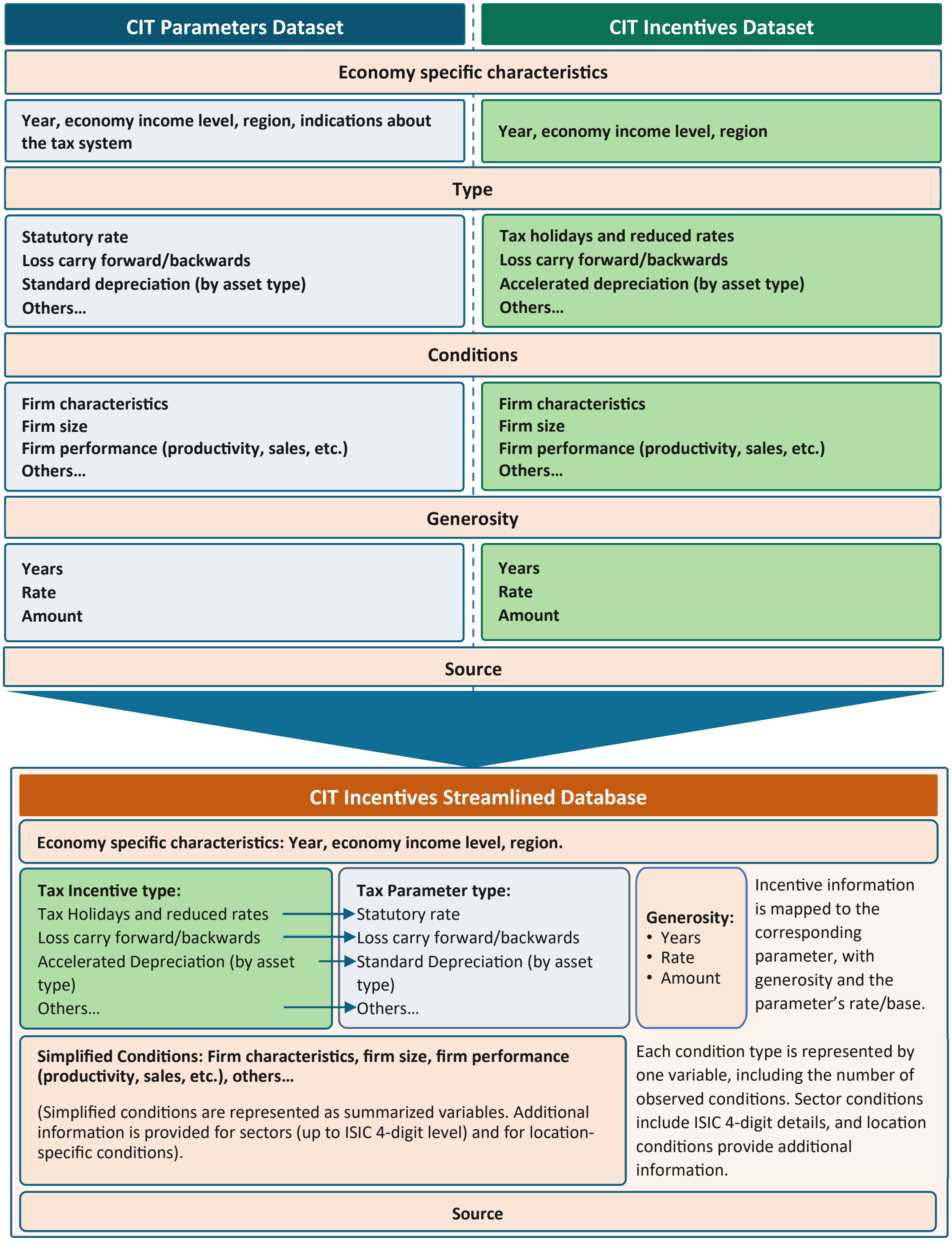
**The streamlined Database and associated files can be accessed here** as part of the Reproducibility Package[9] of the 2024 World Bank Prosperity Insight Note*, Corporate income tax incentives to promote environmentally sustainable investment: Findings from 40 economies covered by the World Bank Corporate Income Tax Incentives Database*. The streamlined version (and any updated coverage) is also planned for publication through the World Bank **Development Data Hub**. The full Database is currently only available internally to World Bank staff.[10]

**The streamlined Database covers simplified information on tax parameters and incentives — consolidating the two datasets that make up the World Bank CIT Incentives Database.** General information of country characteristics remains the same as the full Database, containing tax year of applicability of the incentive, region and income level of the country as classified by the World Bank as of 2020. In the streamlined Database, to consolidate the corporate tax parameters and corporate tax incentives datasets, each incentive is matched to its corresponding baseline rate from the tax parameters dataset (see Figure 3). For example, for a reduced rate, the preferential rate is matched with the statutory rate, and the base rate is added as a new field, "parameter baseline rate." In the case of accelerated depreciation, each incentive is paired with its baseline value (tax parameter) considering the asset type, and consolidated under the field "parameter baseline rate." Information related to less favorable variations of standard corporate tax parameters is not included in the streamlined version of the Database.

**In the streamlined Database, conditions (eligibility criteria) are also simplified to facilitate faster analytics.** The streamlined version organizes and systematizes the 26 distinct conditions, summarizing and presenting the total number of conditions by type. For sector-specific conditions, detailed information is included, ranging from the ISIC chapter level (one digit) down to the more granular ISIC four-digit level, with all information standardized based on the details provided by the original sources.

**Users of the streamlined Database are encouraged to review all prior sections of this document since the approach, definitions, and limitations are consistent with the full Database.** The streamlined Database is based on the full version, covering a subset of the data in a simplified format. The remainder of this section highlights the adaptations of the Database made for the streamlined Database.

*Figure 3. Structure of full CIT Incentives Database and consolidation for the streamlined Database*



## Sector specific conditions

**Sector information is collected according to ISIC Rev. 4 standards. The level of detail depends on the available data, with information collected at the class level (4 digits) whenever possible.** The Database provides detailed information on the sectors where incentives are offered, reaching the class level (4 digits) of ISIC. Incentives with sector-specific conditions have standardized classifications to ensure they cover up to this level of detail. To achieve this, data was collected at the most granular level possible.

- When information is provided only at the Section level (letter), it is assumed that all divisions (2 digits), groups (3 digits), and classes (4 digits) within that Section are included in the incentive. Additionally, the field "isic_sub_condition2" indicates whether the incentive applies to all components of a Section. When the field reads "complete," it means that all components of the Section are eligible for the incentive, as illustrated in Table 7, Row 1.
- If an incentive applies only at a subcomponent level and not to a complete Section, "isic_sub_condition2" will indicate "only," meaning only specific divisions, groups or classes within the Section are eligible. For example, in Table 7, Row 2, an incentive in Angola applies to Section F "Construction" but only to Division 41, as indicated by "isic_sub_condition2" showing "only" and specifying ISIC Division 41.
- If no sector condition is provided, it is assumed that firms from any section, division, group, or class are eligible for the incentive.

*Table 7. Example of sector conditions and sector specification*

| tax_ year | country | sector_ cond | isic_ excluded | Isic_1 letter | isic_letter | isic_sub_ cond2 | isic_2d | isic_3d | isic_4d |
|---|---|---|---|---|---|---|---|---|---|
| 2009 | Angola | 1 | | B | B. Mining and quarrying | complete | ALL DIVISIONS | ALL GROUPS | ALL CLASSES |
| 2009 | Angola | 1 | 1 | F | F. Construction | only | 41 | ALL CLASSES | ALL CLASSES |
| 2009 | Angola | 0 | | | | | ALL DIVISIONS | ALL GROUPS | ALL CLASSES |

To simplify the collection of sector information when an incentive is offered to most of the economy or to most parts of a section or division, a field (isic_exclue:1 or isic_sub_cond2: "only", “excluding” or “All industries except some”) indicates if the incentive is restricted to a specific subsector.

- Incentives may also be offered to the entire economy except for certain sections or divisions, or to a specific section except for certain components. In such cases, the "sector_cond" field takes the value of 1, indicating that a sector condition is active. You won’t see the "isic_1_letter" or any ISIC level of detail. Instead, the "isic_sub_cond2" field will display "excluding" or "All industries except some."
- When "excluding" is used, it means that a specific section, division, group, or class is excluded from the incentive. For example, in Table 8, Row 1, Fiji offers an incentive with a sector condition to Section A but excludes Division 02. This is indicated in the "isic_exclude" field, where "A:[02]" means that Section A is eligible for the incentive, but Division 02 is excluded (as indicated by the number within the brackets).
- In Table 8, Row 2, Peru offers an incentive to Division 01 of Section A, but excludes Classes 0111, 0115, and 0126. This is also visible in the "isic_exclude" field, which lists the excluded classes in parentheses.
- In other instances, an incentive might be offered to all industries except a few. In such cases,

"isic_sub_cond2" will display "All industries except some." For example, if an incentive is offered to the entire economy except Section A, the "isic_exclude" field will display "A:[ ]" – with empty parentheses indicating that all components of Section A are excluded.

- As shown in Table 8, Row 4, Angola offers an incentive to all industries except Divisions 01 and 03 of Section A, which is reflected in the "isic_exclude" field as "A:[01,03]." Multiple sections or components from different sections can also be excluded, as seen in Row 5 of the table.

*Table 8. Example of sector conditions and sector specification when there are excluding cases*

| tax_ year | country | sector_ cond | isic_exclude | isic_1 letter | isic_ letter | isic_sub_cond2 |
|---|---|---|---|---|---|---|
| 2009 | Fiji | 1 | A:[02] | | | excluding |
| 2009 | Peru | 1 | A01:[0111,0115,0126] | | | excluding |
| 2011 | Angola | 1 | A:[] | | | All industries except some |
| 2020 | Angola | 1 | A:[01,03] | | | All industries except some |
| 2020 | United Kingdom | 1 | A:[03,01] C:[301,241,2030] B:[051] E:[3822] G:[4620] | | | All industries except some |

### *Additional sector definitions:*

**In addition to ISIC Rev. 4 classifications, the World Bank CIT Incentives Database includes ten additional sector classifications for expanded coverage, these additional classifications are also presented in a simplified manner in the streamlined Database**. The Database incorporates additional classifications beyond ISIC Rev. 4 for two main reasons. First, some sectors are dynamic, and new or emerging—such as Environmental Protection and ICT—and may not yet be formally consolidated or accurately represented under ISIC. Second, some countries use broader definitions for sectors targeted by incentives. These broader classifications, such as Industrial Sector and Agro-Processing, allow for a more literal depiction of the sector targeting. For a complete list of the additional sector classifications, see Table 9.

*Table 9. Additional Sectors beyond ISIC Rev. 4 Classification*

| Additional Sector Classification[11] |
|---|
| AGRO-PROCESSING |
| ENVIRONMENTAL PROTECTION |
| ICT manufacturing industries/HIGH-TECH PRODUCERS (unless further specified)[12] |
| ICT sector/HIGH-TECH (unless further specified)[10] |
| ICT services industries/High tech Services (unless further specified)[10] |
| INDUSTRIAL SECTOR |
| OUTSOURCING (e.g. BPO, KPO) |
| RENEWABLE ENERGY GENERATION |
| SERVICES |

## Conditions related to location and Special Economic Zones (SEZs)

**The full CIT Incentives Database and the streamlined version cover Special Economic Zones (SEZs) and location-specific conditions, specifying where incentives are offered or excluded.** In cases where SEZ conditions or location-specific conditions apply, the streamlined Database includes detailed information about the relevant locations. This information specifies both the locations where the incentive is offered (listed under 'location_including') and those where it is excluded ('location_excluding'). To illustrate the application of these conditions, several examples are included below.

*Understanding locations covered by a tax incentive (location_including):*

- In Table 10, the first row highlights a location condition in Peru in 2009, where the incentive is available in the Amazonas region (refer to the 'location_including' column). Similarly, the second row details a Special Economic Zone incentive offered by the Russian Federation in 2009, applicable to the Alabuga region. In SEZ cases, incentives are often targeted to a specific region or a particular area within that region, and this information is provided in the 'location_including' column.

*Table 10. Example of location conditions and specification*

| tax_year | country | location_cond | specialeco_cond | location_including | location_excluding |
|---|---|---|---|---|---|
| 2009 | Peru | 1 | 0 | Amazon | |
| 2009 | Russian Federation | 0 | 1 | Alabuga region | |

*Understanding locations excluded in the incentive (location_excluding):*

- In Table 11, two examples of locations are presented where incentives are explicitly excluded. In the case of Fiji in 2016, the incentive is offered in the locations listed under 'location_including,' while the location of Nausori is explicitly excluded (see 'location_excluding').
- The second row illustrates the case of Côte d'Ivoire in 2020. Here, the incentive is offered nationwide (leaving the 'location_including' column empty) except for Abidjan, the country's largest city and former capital, where the incentive is specifically not available (see 'location_excluding').
- A third example is the case of Colombia in 2017, found in the third row. There are two important aspects to note. First, the locations where the incentive is offered are listed under 'location_including,' and it covers an extensive list of free zones. However, within this list, the Municipality of Cucuta is explicitly excluded (as indicated in the 'location_excluding' column).
- It is important to note that in the example of Colombia, while the incentive covers all special economic zones or free zones, the list is extensive and can be found in Source 2. For the complete list, refer to the link provided in the 'source_link' field under item 2. If the resource is unavailable, please contact the World Bank Investment Climate Unit directly, as they maintain the historical data for each incentive.

*Table 11. Example of location conditions and specification when there are excluding cases*

| tax_year | country | location_cond | specialeco_cond | location_including | location_excluding |
|---|---|---|---|---|---|
| 2016 | Fiji | 1 | 0 | Vanua Levu, Rotuma, Kadavu, Lomaiviti, Lau, Naboro, airport side of the Rewa Bridge up to the Ba side of the Matawalu River of Viti Levu | Nausori |
| 2020 | Côte D'Ivoire | 1 | 0 | | Abidjan |
| 2017 | Colombia | 0 | 1 | Free zones (see source 2) | municipality of Cúcuta |

## Condition description for providing relevant additional details

**The condition description provides important details that are challenging to standardize, such as specific environmental technologies covered or clarifications on types of required assets for an investment**. Some incentives require additional contextual information to fully complement the conditions. This supplementary information is provided under the "condition description" variable as text input, which has been included in the streamlined Database to ensure comprehensive understanding. Additionally, detailed information on incentive characteristics—such as generosity: applicable years, rates, and generosity descriptive—is also included.

## Special structures: progressivity, sequence, selection and cumulative

**While the full Database provides granularity on the structure of incentives, the streamlined Database summarizes key aspects.** For incentives with special structures, the streamlined Database provides information on the minimum, maximum, and average rates to better understand the level of generosity across various breaks and periods. For sequential incentives, details on the generosity of the first break, along with the total number of years of generosity, are also included.

### *Progressive structures:*

- Progressive incentives are structured based on criteria such as income, revenue, or initial asset investment, among others; with benefits increasing at each level. While the full Database provides detailed information on the requirements and specific cutoffs for each bracket, the streamlined version only includes the overall structure: the number of brackets, the minimum rate, maximum rate and average rate offered. In Table 12, for example, the number under 'seg_prog_segments' represents the total number of brackets offered.
- A special case is tax holidays, where the first or lowest bracket is a 0% tax rate, followed by a subsequent bracket with a reduced tax rate above 0%.

*Table 12. Example of progressive incentive*

| tax_year | country | seg_prog_ segments | seq_prog_ tax_id | seq_prog_tax | tax_incentive |
|---|---|---|---|---|---|
| 2009 | Australia | 3 | 2001 | Progressivity | Tax Deduction >100% |
| 2009 | China | 2 | 2001 | Progressivity | Tax Holiday/Tax Exemption |
| 2011 | Gibraltar | 2 | 2001 | Progressivity | Accelerated Depreciation/Capital Allowance Rate/ Super-amortization/ Write-off (plant/machinery) |

### *Sequential structures:*

- Sequential incentives are based on various criteria such as income, revenue, or initial asset investment. While the full Database provides detailed information on the timing and duration of each incentive, the streamlined version presents only the key structure: the number of brackets, the duration of the first bracket, the total duration, and the minimum, maximum, and average rates offered. In Table 13, for example, the number under 'seg_prog_segments' represents the total number of sequential periods offered.
- A special case is tax holidays, where the initial bracket offers a 0% tax rate, followed by subsequent periods with a reduced tax rate above 0%.

*Table 13. Example of sequential incentive*

| tax_year | country | seg_prog_ segments | seq_prog_ tax_id | seq_prog_tax | tax_incentive |
|---|---|---|---|---|---|
| 2015 | India | 2 | 1001 | Sequence | Tax Holiday/Tax Exemption |
| 2016 | Nigeria | 2 | 1007 | Sequence | Accelerated Depreciation/Capital Allowance Rate/ Super-amortization/ Write-off (plant/machinery) |
| 2018 | Mexico | 2 | 1002 | Sequence | Tax Credit |

### *Selection structures:*

- Selection incentives are based on criteria such as income, revenue, or initial asset investment. While the full Database provides detailed information on the various options available within each selection package, the streamlined version only presents the core structure, including the number of available options. In Table 14, for example, the number under 'seg_prog_segments' represents the total number of available options.

*Table 14. Example of incentive offered as selection*

| tax_year | country | seg_prog_ segments | seq_prog_ tax_id | seq_prog_tax | tax_incentive |
|---|---|---|---|---|---|
| 2018 | Japan | 3 | 3011 | Selection | Accelerated Depreciation/Capital Allowance Rate/ Super-amortization/ Write-off (office equipment/furniture) |
| 2018 | Mauritius | 2 | 3001 | Selection | Tax Credit |

### *Cumulative structures:*

- Cumulative incentives are structured based on criteria such as income, revenue, or initial asset investment. While the full Database provides detailed information on the various options for cumulative incentives, these incentives represent a dynamic combination of tax parameters or benefits, where their respective generosity is aggregated. This aggregation varies as each tax parameter or incentive is governed by distinct conditions, and a company can only accumulate benefits for those elements it qualifies for. The streamlined version simplifies this aspect by presenting only the core structure, including the total number of available cumulative segments. In Table 15 for example, the value under 'seg_prog_segments' indicates the total number of cumulative segments available. The value under 'total_gen_years' shows the duration of the incentive; a value of 9999 signifies that the incentive is offered indefinitely.

*Table 15. Example of incentive offered as cumulative*

| tax_ year | country | seg_prog_ segments | seq_prog _tax | taxparin c | total_ gen_years | generosity _rate | avg_gen _rate | generosity_desc |
|---|---|---|---|---|---|---|---|---|
| 2015 | Angola | 47 | Cumulative | Reduced tax rate | 9999 | 26 | 27 | Reduction cumulative with other benefits from the Private Investment Law. Total number of years of the benefit depends on the total percentage reduction of the income tax as follows:<br>Reduction of 10-30 percentage points: 4 years<br>Reduction of 31-50 percentage points: 6 years<br>Reduction of 51-70 percentage points: 8 years<br>Reduction of 71-100 percentage points: 10 years |

## Sources

**All sources used to compile the information are documented in the streamlined Database to support verification and accuracy**. Each source is accompanied by corresponding links, allowing users to access the original data for verification and further exploration. This approach not only facilitates direct access but also promotes an understanding of the context and methodology behind the collection of the information, helping users trace and validate the data presented. For example, in Table 16, the source documentation is described under the 'source_desc' column, and the corresponding link to each source is available in the 'source_link' column. Each source is assigned a unique number for easy reference. For example, source 1 ('Tax and Duty Manual Part 09-01-01') provides the relevant incentive information on page 12, and the corresponding link is labeled with the same number (1) for clarity and consistency.

*Table 16. Example of incentive source material*

| tax_year | country | tax_incentive | source_desc | source_link |
|---|---|---|---|---|
| 2009 | Ireland | Accelerated Depreciation/... (buildings) | 1) Tax and duty manual part 09-01-01 (page 12) | 1) https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-09/09-01-01.pdf |

## Glossary of variables

**A full list of variables used in the streamlined Database along with concise definitions is published to help users navigate and analyze the data**. It can be found here as part of the Reproducibility Package for the 2024 World Bank Prosperity Insight Note, *Corporate income tax incentives to promote environmentally sustainable investment* under the file named *'World Bank CIT Incentives Streamlined Database - Variable Dictionary.xlsx*.' The streamlined database and the glossary of variables is also planned for future publication through the World Bank **Development Data Hub**.

## Endnotes

[1] The full Database covers over 47 economies with time series from 2009-2020. In addition, there are limited time series for Vietnam (2020) and Malaysia (2019-2020).
[2] Many developing economies do not publish tax expenditure statements, and many others do not publish them regularly. As of 2021, only 104 economies have reported their tax expenditures at least once since 1990 (Global Tax Expenditure Database, 2021).
[3] Please send information on data that may be misrepresented, missing or incorrect to Eduardo Jimenez (ejimenezsandoval@worldbank.org); Hania Kronfol (hkronfol@worldbank.org); and Nicolo Dalvit (ndalvit@worldbank.org).
[4] The project team would consider requests to share the full Database or a subset thereof depending on the nature of the request. Please send requests with information on how the data may be used to Eduardo Jimenez (ejimenezsandoval@worldbank.org); Hania Kronfol (hkronfol@worldbank.org); and Nicolo Dalvit (ndalvit@worldbank.org).
[5] In limited cases, accounting firm staff or World Bank regional colleagues are contacted to help provide additional information or clarification.
[6] The initial sample of 40 economies was selected to support different objectives, including to help design the Database template to accommodate different tax incentives regimes; to support ongoing or strategic operational World Bank engagements; and to support research efforts in terms of representation. Specifically on the latter, emphasis was placed on including a mix of high-income and developing economies, varied regional representation, large and small economies, varying development levels, and different tax haven status.
[7] In addition, a category labeled 'Other' has been included to capture unique conditions that may not be standardized. Other conditions encompass all cases not systematically categorized. These conditions are accompanied by concise explanatory text.
[8] In a few cases, entries may appear with no special structures but actually represent consolidated configurations across multiple brackets for the same incentive. For incentives with eligibility criteria or characteristics spanning more than 40 brackets—for example, a manufacturing incentive in Malaysia with 45 brackets, each defined by increasing investment levels with corresponding increases in generosity—the database consolidates these into a single entry. This entry uses a median estimate, with an explanation in the incentive description and a link to a detailed list of all brackets. This approach allows users to disaggregate and treat each bracket as an individual incentive if desired.
[9] For more information, see Reproducible Research Repository.
[10] The project team would consider requests to share the full Database or a subset thereof depending on the nature of the request. Please send requests with information on how the data may be used to Eduardo Jimenez (ejimenezsandoval@worldbank.org); Hania Kronfol (hkronfol@worldbank.org); and Nicolo Dalvit (ndalvit@worldbank.org).
[11] In the case of these industries, a proposal of possible ISIC sector covering these ad-hoc sector has been identified and collected for internal use for the collection team at the World Bank.
[12] The classifications for ICT manufacturing industries (High-Tech Producers), ICT sector (High-Tech), and ICT services industries (High-Tech Services) are derived from Table 4.3 in the ISIC Manual, accessible via the following link: https://unstats.un.org/unsd/publication/seriesm/seriesm_4rev4e.pdf.