



# The revenue costs of profit shifting in Germany

Dr. Katharina Finke (ZEW)

Discussion by Ernesto Zangari  
(European Commission)

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Views are the author's alone and should not be attributed to the European Commission

## SUMMARY OF THE PAPER

- Empirical analysis of the impact of profit shifting in Germany on CIT revenues in 2007-2009
- Econometric strategy: propensity score matching
- Direct comparison of tax payments of multinationals and "matched" domestic companies

### MAIN RESULTS

- In 2007, on average a multinational paid 600 thousand Euro less than a comparable domestic company
- In the aggregate, in 2007 the revenue loss was about 10 bn Euro
- In 2009, profit shifting appears substantially lower. This is arguably due to the 2008 corporate tax reform (lower tax rates + stricter anti-avoidance measures)



## Some comments

- **Is the impact of the 2008 tax reform overestimated? The role of the business cycle**
- **Are there "biased matches"?: genuine domestic companies VS domestic companies affiliates of multinationals**
- **The results for loss-making companies: more profit shifting and a more uniform behaviour than companies with a positive profit?**



# EU Tax policy and the anti-avoidance framework

- Many initiatives at the EU level: Action Plan, Recommendations, Digital Economy, Platform for good tax governance, Code of Conduct, CCCTB, Par-Sub Dir., Int-Roy Dir., State Aid rules
- The AGS 2014 calls MSs to improve tax compliance by taking "**coordinated action against aggressive tax planning and tax havens**" (AGS, 2014, p. 7)
- The standards for anti-avoidance are shifting
- Reshuffling of tax bases, resistance, "unilateralism"
- **Importance of data and research**

## Other comments

- Add more explanation for your econometric strategy to estimate the effect of the 2008 reform
- Express the CIT revenue effects in terms of the actual CIT revenues in each year
- Does the direct approach to estimate profit shifting reflect both "marginal" and "infra-marginal" effects? (Dharmapala, 2013)