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TAX 730: Seminar in Betriebswirtschaftlicher Steuerlehre (HWS 2024)

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Topic: Sustainability and taxes: current initiatives and business implications

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Topic 1: Carbon taxation and firm production – An assessment of the empirical literature

Description:

Carbon taxes aim to correct the negative externalities arising from carbon emission. Carbon taxes provide incentives to readjust the production process towards technologies with lower carbon emissions. However, carbon taxation can also increase the tax burden levied on companies in particular if companies need time to adjust their production process. Consequently, similar to corporate taxes, carbon taxes might have negative effects on firm-level outcomes such as revenue or growth and thus negatively impact the economy as a whole. The aim of this paper is to review the existing empirical literature on the impacts of carbon taxes on firms and aggregate economic variables.

Further readings:

Gerster, A., Lamp, S., 2023. Energy tax exemptions and industrial production. Forthcoming Economic Journal

Metcalf, G. E., Stock, J. H., 2023. The macroeconomic impact of Europe's carbon taxes. American Economic Journal: Macroeconomics 15.3 p. 265-286.

Martin, R., De Preux, L. B., Wagner, U. J., 2014. The impact of a carbon tax on manufacturing: Evidence from microdata. Journal of Public Economics, 117, p. 1-14.

Topic 2: Distributional implications of excise taxes – A review of the empirical literatureDescription:

To collect taxes serves three general purposes: 1) financing government expenditures (provision of public goods), 2) achieving targets of redistribution and 3) disincentivizing undesired activities (e.g. CO2 emission). This seminar thesis explores a potential target conflict between the second and third mentioned motif. E.g.: If excise taxes on fuel are raised, will companies or the consumer bear the additional cost? If the latter is the case, who will be 'hit' hardest by the policy? The seminar thesis reviews the recent literature concerning the incidence of excise taxes. Following, distributional effects are analysed by means of a case study, drawing upon hypothetical and stereotypic consumption baskets of citizen in the upper and lower echelon of the income distribution.

Further readings:

Fuest, C., Neumeier, F., Stöhlker, D., 2022. Der Tankrabatt: Haben die Mineralölkonzerne die Steuersenkung an die Kunden weitergegeben? Perspektiven der Wirtschaftspolitik 23(2), p. 74–80.

Schieritz, M., 2021. Die Wahrheit über die Gelbwesten und den Umweltschutz. Die Zeit, available at <https://www.zeit.de/politik/ausland/2021-07/frankreich-gelbwestenbewegung-klimapolitik-wirtschaftsreform-proteste-demonstration>.

Schmerer, H.-J., Hansen, J., 2023. Pass-through effects of a temporary tax rebate on German fuel prices. Economic Letters 227, 111104.

Topic 3: Fairness under scrutiny – A critical review of preferential personal income tax regimesDescription:

Several EU countries recently introduced preferential personal income tax regimes targeting foreign employees. These regimes often offer lower tax rates to foreign workers relocating to a country, while citizens and existing residents are subject to standard tax rates, potentially

earning the same income. The ethical and economic dimensions of such preferential tax schemes are questionable, as they may impact the progressivity and fairness of national tax systems. This seminar thesis aims to shed light on the complexities surrounding preferential tax regimes and stimulate further research into their societal and economic ramifications.

Further readings:

Endres, D., Spengel, C. (Hrsg.), 2015. International Company Taxation and Tax Planning. Kluwer Law International, Alphen aan den Rijn.

Flamant, E., Godar, S., & Richard, G., 2021. New forms of tax competition in the European Union: An empirical investigation, available at <https://www.taxobservatory.eu/publication/new-forms-of-tax-competition-an-empirical-investigation/> (26.04.2024).

Kim, J., 2020. Inequality: Why equity and fairness should be part of tax policy and governance. *Journal of Governance and Regulation* 9(3), pp. 110-121.

Pirlot, A., 2020. The Vagueness of Tax Fairness: A Discursive Analysis of the Commission's Fair Tax Agenda. *INTERTAX* 48(4), pp. 402-415.

Topic 4: Circular taxation - How can taxes contribute to the goal of a circular economy?

Description:

A circular economy is essential for achieving environmental and climate targets. Targeted tax incentives or the levying of taxes can be used to reduce new production and promote recycling. A current example of such a measure is the EU plastic levy, which was introduced at EU level in 2021 with the aim of reducing plastic waste. Moreover, several EU countries have introduced other tax measures to promote the circular economy. The aim of this thesis is to show how taxes can contribute to the goal of a circular economy and to provide an overview of existing measures in the EU.

Further readings:

Eunomia, 2022. Circular Taxation. Report available at <https://circulareconomy.europa.eu/platform/sites/default/files/2022-12/Circular-Taxation-study-EEB-Final-Report.pdf>.

Milios, L., 2021. Towards a Circular Economy Taxation Framework: Expectations and Challenges of Implementation. *Circular Economy and Sustainability* (1), p. 477-498.

Walker, T., Gramlich, D., Dumon-Bergeron, A., 2020. The Case for a Plastic Tax: A Review of Its Benefits and Disadvantages Within a Circular Economy. In: Wasieleski, D.M., Weber, J. (Hrsg.). *Sustainability (Business and Society 360, Volume 4)*. Emerald Publishing Limited, Leeds, p. 185-211.

Topic 5: Reducing CO₂ emissions in the transportation sector – A comparison of tax policy strategies in EU countries

Description:

The transportation sector is a key contributor to CO₂ emissions in Europe and accounts for about 20% of total emissions. Governments worldwide use different tax and non-tax policies to incentivise and, thereby, accelerate the transition from combustors towards hybrid and electric cars. The goal of this paper is to provide an overview of the tax policy measures incentivizing green driving in the EU and compare them regarding similarities, differences, costs, efficiency etc.

Further readings:

European Automobile Manufacturers' Association, 2023. Electric cars: Tax benefits and purchase incentives, available at https://www.acea.auto/files/Electric_cars-Tax_benefits__purchase_incentives_2023.pdf.

Damert, M., Rudolph, F., 2018. Policy options for a decarbonisation of passenger cars in the EU: recommendations based on a literature review. Wuppertal Papers No. 193, available at <https://www.econstor.eu/bitstream/10419/176679/1/1015282210.pdf>.

Klier, T., Linn, J., 2015. Using taxes to reduce carbon dioxide emissions rates of new passenger vehicles: evidence from France, Germany, and Sweden. *American Economic Journal: Economic Policy*, 7(1), p. 212–242.

van der Steen, M., van Schelven, R., Kotter, R., van Twist, M. J. W., van Deventer, P., 2015. EV policy compared: an international comparison of governments' policy strategy towards e-mobility. In: Filho, W. L., Kotter, R. (Ed.). *E-mobility in Europe*. Springer, Cham, p. 27-53.

Topic 6: Bordering Sustainability – Evaluating the effects of the CBAM on EU and international businesses

Description:

The Carbon Border Adjustment Mechanism (CBAM) is a policy tool introduced by the European Union (EU) to address carbon leakage and promote sustainability by levying taxes on imports based on their carbon content. This seminar thesis delves into the effects of the CBAM on both EU and international businesses, analysing the reporting obligations firms are facing but also its implications for trade, competitiveness, and environmental sustainability. By contrasting the impacts on domestic and global enterprises, the study aims to provide insights into the effectiveness and challenges of CBAM implementation, as well as its potential role in achieving climate goals on a global scale.

Further readings:

Bellora, C., Fontagné, L., 2023. EU in search of a Carbon Border Adjustment Mechanism. *Energy Economics* 123, 106673.

Beaufils, BT, Ward, H., Jakob, M., Wenz, L., 2023. Assessing different European Carbon Border Adjustment Mechanism implementations and their impact on trade partners. *Communications Earth & Environment* 4 (131).

European Commission, 2024. Carbon Border Adjustment Mechanism. Available at: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en.

IHK, 2024. CBAM: Der CO2-Grenzausgleichsmechanismus. Available at: <https://www.ihk.de/stuttgart/fuer-unternehmen/international/import-export/import/cbam-5761850>.

Topic 7: Does simplified reporting decrease tax evasion? – An overview over the empirical literature

Description:

Tax evasion poses a persistent challenge for tax authorities around the world, leading to substantial deficits in state revenues. One contributing factor to taxpayer non-compliance may lie in the complexities and administrative costs associated with filing the tax return. Until today, multiple empirical papers have studied the effect of simplified reporting obligations on tax compliance in various settings and countries. This seminar thesis aims to perform an in-depth analysis of the existing empirical literature and to assess whether simplified reporting obligations for firms and individuals really mitigates tax evasion.

Further readings:

Aghion, P., Akcigit, U., Lequien, M., & Stantcheva, S., 2017. Tax simplicity and heterogeneous learning (No. w24049). National Bureau of Economic Research.

Bhargava, S., & Manoli, D., 2015. Psychological frictions and the incomplete take-up of social benefits: Evidence from an IRS field experiment. *American Economic Review* 105(11), p. 3489-3529.

De Neve, J. E., Imbert, C., Spinnewijn, J., Tsankova, T., & Luts, M., 2021. How to improve tax compliance? Evidence from population-wide experiments in Belgium. *Journal of Political Economy* 129(5), p. 1425-1463.

Zwick, E., 2021. The costs of corporate tax complexity. *American Economic Journal: Economic Policy* 13(2), p. 467-500.

Topic 8: Balancing profits and purpose – A critical analysis of tax incentives for social impact investingDescription:

When we think about the path towards a more sustainable economy, we often assume that the change is either induced by the firms (via changes in their business model), by the government (via policies which promote sustainable choices or ban unsustainable choices) or even by the consumer itself (via boycotts of unsustainable firms). Another important player is the capital market. By giving money for “the right causes”, investors can actively participate in the move towards a more sustainable future. However, it might be difficult for them to balance profit and purpose. This seminar thesis aims to analyse ways how the government can use tax policies to motivate investors to do social impact investing, i.e. investments to “organisations addressing social and/or environmental needs with the explicit expectation of a measurable social, as well as financial, return” (OECD), give an overview of policies (e.g., the New Markets Tax Credits Program in the United States or the Social Investment Tax Relief in the UK), and critically discuss them. The final scope of the seminar thesis is set in consultation with the supervisor.

Further readings:

Harger, K., & Ross, A., 2016. Do Capital Tax Incentives Attract New Businesses? Evidence Across Industries from the New Markets Tax Credit. *Journal of Regional Science* 56(5), p. 733-753.

Hula, R. C., & Jordan, M. P., 2018. Private Investment and Public Redevelopment: The Case of New Markets Tax Credits. *Poverty & Public Policy* 10(1), p. 11-38.

Lideikyte-Huber, G., & Peter, H., 2020. Encouraging Sustainable Investment through Direct Tax Relief: Swiss and EU State Aid Legal Framework, in: *IFF Forum für Steuerrecht* 2020 (3), p. 207-221.

Topic 9: Countering tax avoidance through disclosure – An examination of disclosure regulations and tax avoidance schemes in the UK

Description:

Aligning tax practices with ESG principles is a critical aspect of corporate strategy, as tax avoidance can jeopardize a company's reputation, investor relations, and compliance status, potentially diminishing its ESG standings. Governments prioritize combating tax avoidance on many tax policy agendas. In the UK, three specific disclosure regimes – VADR, DASVOIT, and DOTAS – have been implemented to curb tax avoidance through various taxes such as value-added tax or corporate income tax. These regimes enable the government to gather data about tax avoidance schemes and their users, thereby enhancing transparency and accountability. Furthermore, these schemes are made publicly available online, allowing insight into how they work. The objective of this seminar thesis is to delineate the differences between tax avoidance, tax evasion, and tax planning, connecting these concepts to sustainability. It shall then critically examine the UK's disclosure regimes that require reporting on tax avoidance schemes and explore the various schemes disclosed by the UK government, categorizing them along various dimensions, e.g., tax types or involved parties. The final scope of the seminar thesis is determined in consultation with the supervisor.

Further readings:

Endres, D., Spengel, C. (Eds.), 2015. International Company Taxation and Tax Planning. Kluwer Law International, Alphen aan den Rijn.

HMRC, 2020. Tax avoidance schemes currently in the spotlight, available at <https://www.gov.uk/government/collections/tax-avoidance-schemes-currently-in-the-spotlight-number-20-onwards> (28. 04. 2024).

HMRC, 2022. Disclosure of tax avoidance schemes, available at <https://www.gov.uk/guidance/disclosure-of-tax-avoidance-schemes-overview> (28. 04. 2024).

HMRC, 2022. Introduction to tax avoidance, available at <https://www.gov.uk/guidance/tax-avoidance-an-introduction> (28. 04. 2024).

Topic 10: Emission reduction through carbon taxation - Policy implications for the EU from current researchDescription:

The climate crisis poses a serious threat not only to every sector of the economy but also to society as a whole. As a result, there is an intense debate about the optimal policy response to reduce emissions. Carbon taxes are known to be an effective policy measure in this context, as they discourage profit-maximising firms from producing unwanted externalities. Several countries in the EU have therefore introduced a carbon tax, but its impact on pollution is highly dependent on its design. There are many qualitative and quantitative studies examining the design of carbon taxes around the world and their effectiveness in reducing emissions. At the same time, the literature also suggests that carbon taxes may have unintended negative effects on areas such as productivity or employment. A review of the current evidence on tax-induced emission reductions and unintended side-effects could inform policy decisions to improve the design of carbon taxes in the EU.

Further readings:

Metcalf, G. E., & Stock, J. H., 2023. The Macroeconomic Impact of Europe's Carbon Taxes. *American Economic Journal. Macroeconomics* 15(3), pp. 265-286.

Andersson, J. J., 2019. Carbon Taxes and CO₂ Emissions: Sweden as a Case Study. *American Economic Journal: Economic Policy* 11(4), pp. 1–30.

Haites, E., 2018. Carbon taxes and greenhouse gas emissions trading systems: what have we learned? *Climate Policy* 18(8), pp. 955-966.

Sumner, J., Bird, L., & Dobos, H., 2011. Carbon taxes: a review of experience and policy design considerations. *Climate Policy* 11(2), pp. 922-943.

Topic 11: Tax incentives under the global minimum tax – A critical analysisDescription:

Governments widely use tax incentives such as accelerated depreciation, notional interest deduction regimes, and R&D incentives to stimulate corporate investment. On the other hand, more than 130 countries agreed on the introduction of a global minimum tax to ensure that large companies pay an effective tax rate of at least 15%. While tax incentives can reduce companies' effective tax rates significantly, the global minimum tax may (partially) counteract the tax-reducing effect of tax incentives, making them less effective. This thesis aims to analyse the interaction between tax incentives and the global minimum tax. It compares how different types of incentives are affected by the minimum tax and examines how governments may need to revise their tax incentive systems.

Further readings:

Bammens, N., Bettens, D., 2023. The Potential Impact of Pillar Two on Tax Incentives. *Intertax* 51 (2), 155-169.

Ferreira Liotti, B., Ndubai, J.W., Wamuyu, R., Lazarov, I., Owens, J., 2022. The treatment of tax incentives under Pillar Two. *Transnational Corporations Journal* 2 (2), 25-46.

Gundert, H., Nicolay, K., Steinbrenner, D., Wickel, S., 2023. The Tax Attractiveness of EU Locations for Corporate Investments: A Stocktaking of Past Developments and Recent Reforms, ZEW Discussion Paper No. 23-066, available at <https://ftp.zew.de/pub/zew-docs/dp/dp23066.pdf> (10.04.2024).

OECD, 2022. Tax Incentives and the Global Minimum Corporate Tax: Reconsidering Tax Incentives after the GloBE Rules, available at <https://doi.org/10.1787/25d30b96-en> (10.04.2024).

Perez-Navarro, G. 2023. What Does Pillar Two's Global Minimum Tax Mean for Tax Incentives? *Intertax* 51 (2), 100-104.

Topic 12: Taxing plastic is fantastic – A legal comparison of plastic packaging taxes across Europe

Description:

As part of the EU Green Deal, the European Union introduced a plastics own resource aimed at curbing packaging waste and promoting a circular economy. Since 2021, EU member states pay a national contribution based on the amount of non-recycled plastic packaging waste. To incentivize plastic waste reduction, many countries have unilaterally introduced or plan to introduce plastic taxes on businesses (and consumers). However, the scope and the legal design of the unilateral regulations and proposals vary considerably. The goal of this seminar thesis is to compare (selected) unilateral regulations and proposals, offering insights into the landscape of plastic packaging taxation across Europe against the backdrop of the European plastic levy.

Further readings:

Council Decision 2020/2053/EU as of 14.12.2020, p. L 424/1, available at: <http://data.europa.eu/eli/dec/20202420/2053/oj> (24.04.2024).

Diana, Z., Vegh, T., Karasik, R., Bering, J., Llano Caldas, J.D., Pickle, A., Rittschof, D., Lau, W., Viridin, J., 2022. The evolving global plastics policy landscape: An inventory and effectiveness review. *Environmental Science & Policy* 134, p. 24-45.

United Nations Environment Programme, 2023. Turning off the Tap. How the world can end plastic pollution and create a circular economy, available at: https://wedocs.unep.org/bitstream/handle/20.500.11822/42277/Plastic_pollution.pdf (24.04.2024).

Topic 13: Incentive-based mechanisms for reducing emissions in the energy sector – A comparative analysis of carbon taxation, intensity standards, and subsidies

Description:

The energy sector plays a pivotal role in global carbon emissions, making it crucial to explore effective strategies for reducing its environmental impact. Governments worldwide employ various incentive-based mechanisms to encourage cleaner energy production and consumption. The goal of this seminar thesis is to investigate and compare three primary approaches: carbon taxation, intensity standards, and subsidies. By analysing their effectiveness, costs, and implications, we can gain insights into designing sustainable policies for emission reduction.

Further readings:

- Borenstein, S., Kellogg, R. (2023). Carbon pricing, clean electricity standards, and clean electricity subsidies on the path to zero emissions. *Environmental and Energy Policy and the Economy*, 4(1), 125-176.
- Gugler, K., Haxhimusa, A., Liebensteiner, M. (2021). Effectiveness of climate policies: Carbon pricing vs. subsidizing renewables. *Journal of Environmental Economics and Management*, 106, 102405.
- Colgan, J. D., Hinthorn, M. (2023). International energy politics in an age of climate change. *Annual Review of Political Science*, 26, 79-96.
- Fabra, N., & Reguant, M. (2024). The energy transition: A balancing act. *Resource and Energy Economics*, 76, 101408.