

Syllabus

TAX 660: Tax Planning: The Role of Taxes for Business Decisions

Fall 2024

Lecturer: Philipp Doerrenberg (Chair of Business Administration and Taxation)

ECTS: 6

Regular Class Times:

- Monday, 12.00-13.30, room O 142
- Wednesday, 10.15-11.45, room O 142

Classes start on first Monday of the term (Sept 02)

No class on Wed, Nov 13 and Wed, Nov 27

Additional organizational information:

- Lectures and exercise classes are integrated.
- Guest lecture (see below).
- All communication regarding this class will be through ILIAS. Class materials will also be provided through ILIAS. Please join the ILIAS group for this course.

Overview:

Most finance and strategy courses do not consider the role of taxes in making business decisions. The goal of the course is to understand how taxes affect business decisions. In particular, the course teaches the tools for identifying, understanding, and evaluating tax planning opportunities.

Importantly, the class is designed to be valuable even as (tax) laws and governments change, and the taught framework is portable in that it can be applied to the set of tax laws in any country. Specific knowledge of tax rules and institutions is therefore *not* a necessary prerequisite for taking this class.

Taxes are everywhere and have a direct impact on cash-flow. Having a basic understanding of how taxation affects business decisions is therefore very important and part of being financially literate. Having an understanding of taxation and how firms plan accordingly is important whether you will be running the firm (e.g., executive in large company, entrepreneur, or running a family-owned business) or assessing it from the outside (e.g., financial analyst, venture capitalist, or investment banker). Taxes are everywhere and it pays to have some understanding of them.

The role of taxes is applied to different decision contexts, such as investments or organizational form. The impact of taxes on business decisions will always be considered in the context of the following themes:

- 'All Parties': Effective tax planning requires the planner to consider the tax implications for all the involved parties.
- 'All Taxes': Effective tax planning requires the planner, in making investment and financing decisions, to consider not only explicit taxes (tax money paid directly to taxing authorities) but

also implicit taxes (taxes paid indirectly as lower before-tax rates of return on tax-favored investments).

- 'All Costs': Effective tax planning requires the planner to recognize that taxes represent only one among many business costs. In the planning process all costs, including non-tax costs, must be considered.

All aspects of the course will discuss empirical applications.

Guest Lecture:

Felix von der Planitz

Co-CEO and Head of Tax at ACE Alternatives

Former Senior Partner at PWC and U. Mannheim alumni

Date: t.b.a. (during regular class hours)

Literature:

The lecture will mostly be based on the following books:

- Scholes, Wolfson, Erickson, Hanlon, Maydew and Shevlin: Taxes and Business Strategy: A Planning Approach. 5th Edition, Pearson.
 - o Abbreviation: SWEHMS.
 - o I use the 5th edition of the book. Other editions will also work. The university library is well stocked with copies of this book. The chapter numbers in the overview below refer to the chapter numbers in the 5th edition of the book.
- Schanz and Schanz: Business Taxation and Financial Decisions, Springer.
 - o Abbreviation: SCH

Additional literature:

- Endres and Spengel (editors): International Company Taxation and Tax Planning, Alphen aan Den Rijn: Kluwer Law International.
 - o Abbreviation: ES

Class Materials:

The lecture slides will be provided through ILIAS.

Content and Structure:

- 1) Class Organization and Introduction to Tax Planning (SWEHMS chapters 1/2; SCH chapter 1)
- 2) Integrating Taxes into Investment Models (SCH chapters 2/3)
- 3) Different Tax Treatments of Investment Decisions (SWEHMS chapter 3)
- 4) Business Taxation and Organizational Form (SCH chapter 6, SWEHMS chapter 4)
- 5) Implicit Taxes, Clienteles and Tax Arbitrage (SWEHMS chapter 5)
- 6) Types of Tax Rates and Uncertainty (SWEHMS chapter 7)

7) Non-tax Costs and Risk-Taking (SWEHMS chapter 6.1-6.4)

Grading:

Written exam (80%):

- 90 minutes.
- Maximum number of points: 90.

Group project (20%):

- Group work: presentations will be in groups (group size depends on size of class).
- Presentation length: about 12-15 minutes.
- Topic of Presentations:
 - o Summary of research papers (easy to understand) that deal with empirical (data-driven) exploration of the topics that we discuss in class.
 - o Focus on economic content and take-away message, not on technical details of empirical analysis.
- Random assignment of group composition and presentation topics.
- Please send an email to Sandra Duman (dumann@uni-mannheim.de) in which you indicate your interest in a student presentation. Please email no later than Thursday of term week 3.
- We will then organize groups and send an email to all members, providing information about your group members and their email contact.
 - o Let Sandra Dumann know if you do not want us to share your email contact with your group members.
- Presentations will be held in weeks 09-10 of the term (during regular class hours).

Overview of Grades in Previous Years

