

Prof. Dr. Philipp Dörrenberg & Prof. Dr. Christoph Spengel

**Tax 730: Seminar in Betriebswirtschaftlicher Steuerlehre
(FSS 2023)**

Overview

No.	Topics	Advisor
1	What do we (not) know about Voluntary Tax Disclosure? – A Critical Analysis of the Empirical Literature	Weck
2	Anti-VAT Fraud Measures – A Critical Analysis of Current Developments	Müller J.
3	Estimating the Effect of Taxation on Legal Form Choice – A Critical Review of the Empirical Literature	Kock
4	The Effect of Taxes on Entrepreneurship – A Critical Assessment of the Empirical Literature	Arnemann
5	Drivers and Effects of Tax Complexity – A Critical Literature Review	Wickel
6	A critical analysis of the European Commission's DEBRA Proposal in light of current tax policy developments	S. Winter
7	Who Benefits from a Temporary VAT Cut? – A Critical Analysis of the Empirical Literature	R. Winter
8	Countering VAT Evasion in a Digitalized Market – A Critical Assessment of the EU E-Commerce Package	Pfrang
9	International Tax Competition after the Global Minimum Tax – A Critical Analysis	Schulz
10	Tax Havens in Germany – A Critical Analysis of Profit Taxation and the German Municipal Context	Gaul
11	The Effects of Emission Taxes on Firm Decisions – A Critical Analysis of the Literature	Schmidt

Topic 1: What do we (not) know about Voluntary Tax Disclosure? – A Critical Analysis of the Empirical Literature

Description:

An increasing number of companies chooses to voluntarily disclose – presumably sensitive – tax information. Scientific theories trying to explain the reasons of such voluntary disclosure are manifold. Companies may use the disclosure to legitimize their tax practices or try to obfuscate them through a deliberate flood of information. Similarly, the effects of voluntary tax disclosure are unclear. The additional information might be well-perceived on the capital markets, leading to a reduction of firms' cost of capital. On the other hand, the disclosure of sensitive tax information may result in competitive disadvantages vis-à-vis non-disclosing competitors. The extensive and steadily growing literature on the determinants and effects of voluntary tax disclosure gives reason to systematically compile and synthesize the extant empirical evidence.

Further readings:

Kays, A., 2022. Voluntary Disclosure Responses to Mandated Disclosure: Evidence from Australian Corporate Tax Transparency. *The Accounting Review*, 97(4), p. 317-344.

Adams, J. R., Demers, E., & Klassen, K. J., 2022. Tax Aggressive Behavior and Voluntary Tax Disclosures in Corporate Sustainability Reporting.

Langenmayr, D., 2017. Voluntary disclosure of evaded taxes—Increasing revenue, or increasing incentives to evade?. *Journal of Public Economics*, 151, p. 110-125.

Topic 2: Anti-VAT Fraud Measures– A Critical Analysis of Current Developments

Description:

VAT represents one of the major shares of the fiscal revenue source regarding taxes. At the same time, VAT fraud is one of the biggest and most widely spread tax evasion schemes. However, at the international level, initiatives like the base erosion and profit shifting (BEPS) project of the OECD/G20 mainly focus on other kinds of taxes, primarily corporate income taxes. However, VAT fraud still got increasing attention in the scholarly literature and the national legislation, also on how technology can support the fight against fraud in this context.

Further readings:

Herbain, C. A., 2018. Fighting VAT Fraud and Enhancing VAT Collection in a Digitalized Environment. *Intertax*, 46(6&7), p. 579-583.

Ismer, R., 2021. Towards Mandatory E-Invoicing for VAT and a Common Clearance System: Rich Pickings from Embracing Technology!. *EC Tax Review*, 30(3), p. 82-85.

Lind, K., 2013. Reverse charging: the best possible solution for preventing VAT fraud. *World Journal of VAT/GST Law*, 97(2), p. 97-115.

Merkx, M., Verbaan, N., 2019. Technology: A Key to Solve VAT Fraud?. *EC Tax Review*, 28(6), p. 300-306.

Topic 3: Estimating the Effect of Taxation on Legal Form Choice – A Critical Review of the Empirical Literature

Description:

Taxation is a key influence on the decision to choose a legal form for a business, as having either corporate or non-corporate (or pass-through) status has implications not only for commercial but also tax purposes. Empirically, many different approaches exist to estimate this effect of taxation on legal form choice. The most prominent ones require good identification strategies exploiting institutional settings featuring tax policy changes and combine these with large datasets. This makes it an interesting venture to critically review and assess the existing empirical literature regarding these differences in empirical approaches and the respective results.

Further readings:

Barro, R. J., Wheaton, B., 2019. Taxes, Incorporation, and Productivity. NBER Chapters, in: Tax Policy and the Economy, Volume 34, National Bureau of Economic Research, Inc.

Cole, R. A., Sokolyk, T., 2018. How Do Firms Choose Legal Form of Organization? July 16, 2018. Available at SSRN. <http://dx.doi.org/10.2139/ssrn.1682263>

De Mooij, R.A., Nicodème, G., 2008. Corporate tax policy and incorporation in the EU. *Int Tax Public Finance* 15, 478–498. <https://doi.org/10.1007/s10797-008-9072-1>

Giroud, X., Rauh, J., 2019. State Taxation and the Reallocation of Business Activity: Evidence from Establishment-Level Data. *Journal of Political Economy*, University of Chicago Press, vol. 127(3), pages 1262-1316.

Smith, M., Yagan, D., Zidar, O., Zwick, E., 2022. The Rise of Pass-Throughs and the Decline of the Labor Share. *American Economic Review: Insights*, 4 (3): 323-40. DOI: 10.1257/aeri.20210268.

Topic 4: The Effect of Taxes on Entrepreneurship – A Critical Assessment of the Empirical Literature

Description:

Entrepreneurship is considered a vital driver of innovation and economic growth. Thus, many studies have investigated what drives entrepreneurship. Over recent years the question of how taxes affect entrepreneurship has regained attention. Not only the magnitude of the tax rate but other factors such as the progressivity of the tax system might also influence the decision to become self-employed. The direction of the effect of taxes on entrepreneurship is ex-ante unclear. On the one hand higher taxes reduce the payoff an entrepreneur receives from starting a new investment. On the other hand, higher taxes reduce the riskiness of investment since the government shares part of the losses.

Further readings:

Arulampalam, W., Papini, A., 2021. Tax progressivity and self-employment dynamics. The Review of Economics and Statistics: p.1-44.

Curtis, M., Decker, R., 2018. Entrepreneurship and state taxation. Available at SSRN: https://ssrn.com/abstract_id=3101649

Gentry, W., Hubbard, G., 2000. Tax policy and entrepreneurial entry. American Economic Review 90.2: p.283-287.

Topic 5: Drivers and Effects of Tax Complexity – A Critical Literature Review

Description:

Taxation is considered a complex topic by individuals as well as companies. In the past years, many new tax regulations came into force, resulting in the perception that the complexity of the tax code has increased significantly. However, tax complexity may have negative consequences for economy and society, as it may threaten economic prosperity and encourage undesired tax avoidance activities. A structured overview of the findings in the literature on e.g. measurement, drivers and effects can improve our understanding of tax complexity.

Further readings:

- Bornemann, T., Schipp, A., Sureth-Sloane, C., 2021. Was treibt die Komplexität der Ertragsbesteuerung multinationaler Unternehmen? - Ergebnisse einer Befragung in der deutschen Finanzverwaltung. *Deutsches Steuerrecht* 59 (3), S. 182-190.
- Hoppe, T., Schanz, D., Sturm, S., Sureth-Sloane, C., 2021. The Tax Complexity Index – A Survey-Based Country Measure of Tax Code and Framework Complexity. *European Accounting Review*, S. 1-35.
- Meyering, S., Reiter, L., Serocka, J., 2022. Kosten der Informationspflichten von Unternehmen (Teil 1). *Der Betrieb* 40/41, S. 2361-2366.
- Zwick, E., 2021. The Costs of Corporate Tax Complexity. *American Economic Journal: Economic Policy* 13 (2), S. 467-500.

Topic 6: A critical analysis of the European Commission's DEBRA proposal in light of current tax policy developments

Description:

The European Commission recently presented a proposal for a directive to address the asymmetric tax treatment of equity and debt. The ultimate goal of the DEBRA proposal (debt-equity bias reduction allowance; DEBRA) is to promote tax system neutrality for financing decisions. To achieve this, the proposed directive would introduce an allowance for notional interest on new corporate equity while simultaneously limiting the deductibility of interest payments on debt for taxation purposes. The DEBRA initiative is not the only recent change in the European corporate tax system. The interest deduction limitation rules of the Anti-Tax Avoidance Directive (ATAD) have been implemented in the tax laws of European member states only a few years ago. Currently, the European Commission has proposed a directive to ensure a minimum corporate tax rate. In addition, the BEFIT initiative (Business in Europe: Framework for Income Taxation; BEFIT) is under discussion, and a proposal for a directive is expected in the coming months. To achieve a reduction of the debt-equity bias with the DEBRA proposal, it has to be aligned not only with the existing corporate tax system but also with these recent tax policy developments.

Further readings:

Dietrich, M., Golden, C., 2022. DEBRA (& ILR) – The Commission’s New Tax Initiative to Create a Level Playing Field for Debt and Equity, *European Taxation* 62(10), p. 425-433.

European Commission, 2022. Proposal for a council directive on laying down rules on a debt-equity bias reduction allowance and on limiting the deductibility of interest for corporate income tax purposes, COM(2022) 216 final, available at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12995-Debt-equity-bias-reduction-allowance-DEBRA-en> (05.11.2022).

Hultten, L.C. van, Korving, J.J.A.M., Nolten, A., 2022. DEBRA: A good idea?. *Finance and Capital Markets* 23(3), p. 1-12.

Topic 7: Who Benefits from a Temporary VAT Cut? – A Critical Analysis of the Empirical Literature

Description:

Temporary reductions of the Value-Added Tax (VAT) have become an increasingly popular policy tool used by governments to affect the economy. For instance, the United Kingdom cut its VAT rate from 17.5% to 15% in 2009 for a year to combat the aftermath of the Great Recession. More recently, the German government included a temporary reduction of the value added tax (VAT) rate in their unprecedented stimulus package in order to combat the economic consequences of the corona crisis. Hence, for the second half of 2020 the German standard VAT rate was reduced from 19% to 16% and the reduced rate was cut from 7% to 5%.

In general, the instrument of a temporary reduction of the VAT rate is relatively new in the fiscal policy toolkit. One objective of this measure can be to generate a short-term boost in consumption. This will only work if the VAT cut is passed on to consumers in form of reduced prices, creating an incentive to bring forward spending and, hence, stimulating aggregated demand. Alternatively, if the incidence of the VAT cut falls on firms, the supply side might be stimulated instead.

Further readings:

Blundell, R., 2009. Assessing the Temporary VAT Cut Policy in the UK. *Fiscal Studies*, 30(1); pp. 31-38

Crossley, T., Low, H., Sleeman, C., 2014. Using a Temporary Indirect Tax Cut as a Fiscal Stimulus: Evidence from the UK. IFS Working Papers, available at <https://www.ifs.org.uk/uploads/publications/wps/wp201416.pdf> (11.11.2020).

Fuest, C., Neumeier, F., Stöhlker, D., 2020. The Pass-Through of Temporary VAT Rate Cuts Evidence from German Retail Prices. Ifo Working Paper No. 341, available at <https://www.ifo.de/en/publikationen/2020/working-paper/pass-through-temporary-vat-ratecuts-evidence-german-retail-prices>

Funke, M., Terasa, R., 2022. Has Germany's temporary VAT rates cut as part of the COVID-19 fiscal stimulus boosted growth?. *Journal of Policy Modeling*.

Montag, F., Sagimuldina, A., Schnitzer, M., 2020. Are Temporary Value-Added Tax Reductions Passed on to Consumers? Evidence from Germany's Stimulus, CEPR Discussion Paper No. DP15189, available at <https://arxiv.org/abs/2008.08511>

Topic 8: Countering VAT Evasion in a Digitalized Market – A Critical Assessment of the EU E-Commerce Package

Description:

Value-added tax (VAT) evasion is a crucial problem within the European Union (EU). In recent years the increase in cross-border online sales has been especially vulnerable to VAT fraud and evasion. According to the EU commission the EU loses around 50 billion Euros per year due to numerous tax loopholes for online retailers. To address these developments in the digital economy, the EU implemented the VAT E-commerce package in July 2021. The new rules represent the most fundamental change to the EU VAT system for years. VAT will now be charged on cross-border trade between businesses, online platforms are now liable to collect VAT and relevant data on underlying supplies and the VAT exemption at importation of goods worth less than 22 Euros is removed. However, the consequences of the new framework are not yet clear.

Further readings:

- Bundesministerium der Finanzen, 2021. Umsatzsteuer; Umsetzung der zweiten Stufe des Mehrwertsteuer-Digitalpakets zum 1. April 2021 bzw. 1. Juli 2021. Available at https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Stuerarten/Umsatzsteuer/Umsatzsteuer-Anwendungserlass/2021-04-01-USt-Umsetzung-zweite-Stufe-MWSt-Digitalpaket.pdf?__blob=publicationFile&v=2 (07.11.2022).
- Cruz Cano, M., 2020. MNEs struggle with EU VAT e-commerce package. International Tax Review.
- European Commission, 2020. Explanatory Notes on VAT e-commerce rules. Available at https://vat-one-stop-shop.ec.europa.eu/system/files/2021-07/vatecommerceexplanatory_notes_28102020_en.pdf (07.11.2022).
- Lamensch, M., 2018. Adoption of the e-Commerce VAT package: The road ahead is still a rocky one. EC Tax Review 27 (4), pp. 186 -195.
- Thoma, A., Böhm, R., Kirchhainer, E., Kirchner, A., 2021. Zoll und Umsatzsteuer. Springer Gabler.

Topic 9: International Tax Competition after the Global Minimum Tax – A Critical AnalysisDescription:

To attract businesses, countries engage in tax competition. As a result, corporate tax rates have been declining considerably in recent years. This is commonly referred to as the "race to the bottom". As a countermeasure, in 2021, 137 countries agreed to introduce a global minimum tax of 15%. However, whether the global minimum tax effectively curbs international tax competition is questionable. Besides, countries might find other ways to engage in tax competition. That is, generally, countries can attract businesses not only by lowering their corporate tax rate but also through tax base reductions or other taxes (e.g., personal income tax). This provides an interesting setting to summarize the main specifications of the global minimum tax, evaluate using recent literature how it will change international tax competition, and illustrate alternative ways for countries to attract businesses through taxes.

Further readings:

Englisch, J., Becker, J., 2019. International Effective Minimum Taxation – The GLOBE Proposal. World Tax Journal 11(4), p. 483-529.

European Commission, 2021. Proposal for a Council Directive on ensuring a global minimum level of taxation for multinational groups in the Union, COM(2021)823, available at https://ec.europa.eu/taxation_customs/system/files/2021-12/COM_2021_823_1_EN_ACT_part1_v11.pdf (07. 11. 2022).

Spengel, C., 2022. Probleme einer globalen Mindeststeuer und Alternativen. Steuer und Wirtschaft 99(3), p. 190-193.

Topic 10: Tax Havens in Germany – a Critical Analysis of Profit Taxation and the German Municipal Context

Description:

Profit shifting and tax avoidance are perceived as pressing issues within the realm of international taxation. Over the past years different initiatives at the international level aimed at reducing these possibilities. This comes in due time, as companies' mobility increases and renders the question of allocation of taxing rights ever more prominent. Companies do not only face location decisions with respect to tax avoidance strategies on a country, but also on a local level. Within Germany, municipalities are deciding directly upon business taxes on profits, called trades taxes ("Gewerbesteuer"). Some municipalities engage in strategic interaction in order to attract companies to their municipalities and lower tax rates drastically. What are typical tax havens in Germany and how did they develop since the introduction of the regimes? How are firms able to exploit the underlying institutions, especially in the presence of formula apportionment?

Further readings:

Becker, S., Egger, P., and Merlo V., 2012. "How low business tax rates attract MNE activity: Municipality-level evidence from Germany". *Journal of Public Economics* 96.9-10, pp. 698–711.

Fischer, L., Heckemeyer, J. H., Spengel, C., Steinbrenner, D., 2022. Tax Policies in a Transition to a Knowledge-Based Economy: The Effective Tax Burden of Companies and Highly Skilled Labour. *Intertax* 2022, S. 286–321.

OECD, 2021. Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, verfügbar unter <https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm> (27.09.2022).

Riedel, N., Simmler, M., and Wittrock, C., 2021. "Local fiscal policies and their impact on the number and spatial distribution of new firms". *Regional Science and Urban Economics* 83.C.

Tagesschau, 2022. Gewerbesteuer-oasen. Wie Großunternehmer Steuern sparen, https://www.tagesschau.de/investigativ/ndr/steueroase-gewerbesteuer-105.html?utm_source=pocket-newtab-global-de-DE. (09.11.2022).

Topic 11: The Effects of Emission Taxes on Firm Decisions – A Critical Analysis of the Literature

Description:

There exists a consensus that emission taxes (such as a carbon tax) are a policy instrument that each country should implement to foster the transition towards a more sustainable economy. The mechanism behind the tax is quite simple: It increases the price to emit certain noxious gases and thereby puts pressure on firms to switch to less environmental-harming business practices. However, the effects of such a policy on firm behaviour are not clear, as the tax influences a variety of decisions, including employment, investment decisions, innovation, and capital structure choices. Understanding the different channels of the effect of emission taxes allows policy makers to design effective legislation to address climate change.

Further readings:

- Baker, E., Shittu, E., 2006. Profit-maximizing R&D in response to a random carbon tax. *Resource and Energy Economics* 28, p. 160-180.
- Bolton, P., Kacperczyk, M., 2021. Do investors care about carbon risk? *Journal of Financial Economics* 142, p. 517-549.
- Brown, J.R., Martinsson, G., Thomann, C., 2022. Can Environmental Policy Encourage Technical Change? Emissions Taxes and R&D Investment in Polluting Firms. *The Review of Financial Studies* 35, p. 4518-4560.
- Yamazaki, A., 2017. Jobs and climate policy: Evidence from British Columbia's revenue-neutral carbon tax. *Journal of Environmental Economics and Management* 83, p. 197-216.