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**Tax 730: Seminar in Betriebswirtschaftlicher Steuerlehre
(HWS 2022/Fall 2022)**

Overview

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5	Tax Avoidance and Evasion via Shell Companies in the European Union – A Critical Analysis of its Importance and of Countermeasures	Wickel
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7	Tax Complexity – An Overview of the Recent Literature and an Application to the Case of Germany	R. Winter
8	Countering Tax Evasion with Third-Party Reporting – An Overview and Critical Assessment	Pfrang

Topic 1: CEO Characteristics and Corporate Tax (Reporting) Behavior – A Critical Review of the Empirical Literature

Description:

The literature on the influence of personal characteristics of board members on corporate behavior has grown considerably in recent years. Are male managers more tax aggressive than female managers? How is the CEO's religious affiliation related to the corporate tax strategy? And what impact does a managers' sporting preferences have on the tax aggressiveness of firms? The extensive and steadily growing literature gives reason to systematically compile and structure the current empirical evidence.

Further readings:

- Francis, B., Hasan, I., Wu, Q., Yan, M., 2014. Are female CFOs less tax aggressive? Evidence from tax aggressiveness, Bank of Finland Research Discussion Papers, No. 16/2014, ISBN 978-952-6699-89-9, Bank of Finland, Helsinki, <http://nbn-resolving.de/urn:NBN:fi:bof-201410243029>
- Koester, A., Shevlin, T., Wangerin, D., 2017. The role of managerial ability in corporate tax avoidance. *Management Science*, 63(10), 3285-3310.
- Luo, S., Shevlin, T., Shi, L., Shih, A., 2022. CEO Sports Hobby and Firms' Tax Aggressiveness. *The Journal of the American Taxation Association*, 44(1), 123-153.

Topic 2: All Roads Lead to a Minimum Tax (burden) - A Critical Comparison of the GloBE Proposal and CFC Rules

Description:

The OECD's planned minimum tax is publicly considered as an important and unprecedented milestone in the story of combating base erosion and profit shifting (BEPS). However, many OECD countries already have implemented a kind of minimum tax: the so-called controlled foreign company (CFC) regulations. Due to the binding enacted Anti-Tax Avoidance Directive (ATAD) in the EU, which contains CFC rules, all EU member states implemented comparable CFC regulations in their national tax laws. Even before the ATAD, some EU member states had CFC rules in place. It is, therefore, open to debate if the EU really needs a minimum taxation while having coordinated CFC rules.

Further readings:

Arnold, B. J., 2019. The Evolution of Controlled Foreign Corporation Rules and Beyond. *Bulletin for International Taxation* 73(12), p. 631-648.

Englisch, J., 2021. Designing a Harmonized EU-GloBE in Compliance with Fundamental Freedoms. *EC Tax Review* 2021(3), p. 136-142.

Hey, J., 2021. The 2020 Pillar Two Blueprint: What Can the GloBE Income Inclusion Rule Do That CFC Legislation Can't Do. *Intertax* 49(1), p. 7-13.

Vlasich, B. F., 2021. CFC Rules and the Global Minimum Tax. In: Bravo, N., Miladinovic, A. (Eds.). *Concept and Implementation of CFC Legislation*. Linde, Vienna, p. 435-456.

Topic 3: Effects of Recent Fuel Tax Reductions in EU Member States – Caught in between Climate Action and Crisis Response?

Description:

Over the course of the last months, geopolitical crisis led to strong volatility in prices of fossil fuels, leading many EU member states governments to react by reducing the sizable tax burden they impose on gasoline and diesel consumption. These tax reductions take multiple forms, ranging from direct tax subsidies to indirect tax reductions. They reverse a trend of steadily increasing fossil fuel tax rates over the last decade due to climate actions. Moreover, from an academic point of view, the effect of indirect taxation on consumption, prices and inequality is contentious, and depends on multiple additional factors. Against this background, it is of interest to review and assess these recent tax policy changes and their motivation.

Further readings:

- Buettner, T., Madzharova, B., 2021. Unit Sales and Price Effects of Preannounced Consumption Tax Reforms: Micro-level Evidence from European VAT. *American Economic Journal: Economic Policy*, 13 (3): 103-34.
- Chetty, R., Looney, A., Kroft, K., 2009. Saliency and Taxation: Theory and Evidence. *American Economic Review*, 99 (4): 1145-77.
- Dreher, A., Krieger, T., 2010. Diesel price convergence and mineral oil taxation in Europe. *Applied Economics*, 42:15, 1955-1961, DOI: 10.1080/00036840701749076
- Jansen, D.-J., Jonker, N., 2018. Fuel tourism in Dutch border regions: Are only salient price differentials relevant? *Energy Economics*, 74, issue C, p. 143-153.
- 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 SSRN: <https://ssrn.com/abstract=3688138>

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: Tax Avoidance and Evasion via Shell Companies in the European Union – A Critical Analysis of its Importance and of Countermeasures

Description:

Several data leaks such as the Panama Papers and Paradise Papers revealed that companies as well as wealthy individuals own shell companies in tax havens. However, shell companies do not only exist in offshore tax havens, but also in the European Union, e.g. in the form of Special Purpose Entities (SPEs) in the Netherlands or Ireland. These companies usually have no substance and real economic activities in the country of incorporation and are often used for aggressive tax planning or tax evasion purposes.

Against this background, the European Commission has recently presented a proposal to fight against the misuse of shell companies for tax purposes. It is supposed to ensure that entities in the European Union with no or only minimal economic activity are unable to benefit from any tax advantages.

Further readings:

Benz, S., Böhmer, J., 2022. Der Entwurf der sog. „Unshell“-Richtlinie als Teil der EU-Initiative „Eine Unternehmensbesteuerung für das 21. Jahrhundert“. Der Betrieb, p. 1028-1037.

European Commission, 2021. Proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU, COM(2021) 565, available at https://ec.europa.eu/taxation_customs/system/files/2021-12/COM_2021_565_1_EN_ACT_part1_v7.pdf (29.4.2022).

Lejour, A., Möhlmann, J., van 't Riet, M., 2022. The immeasurable tax gains by Dutch shell companies. International Tax and Public Finance 29, p. 316-357.

Topic 6: Der Werbungskostenabzug unter Umweltgesichtspunkten – Eine kritische Analyse ausgewählter Tatbestände

Description:

Der Abzug von Werbungskosten ermöglicht es Steuerpflichtigen, die angefallenen Aufwendungen bei der entsprechenden Einkunftsart zu berücksichtigen. Insbesondere Arbeitnehmer können beruflich veranlasste Fahrtkosten und beruflich veranlasste Kosten für eine doppelte Haushaltsführung steuerlich abziehen. Die Entfernung zwischen Wohnort und Arbeitsplatz und die Art und Weise, wie Arbeitnehmer diese Distanz überwindet, sind damit unmittelbar mit einer steuerlichen Berücksichtigung verknüpft. Gleichzeitig gehören sowohl Mobilität als auch Wohnen zu den die Umwelt am stärksten belastenden Konsumbereichen. Während einerseits die beruflich veranlassten Kosten des Arbeitnehmers aus diesen Bereichen durch die (bedingte) steuerliche Abzugsfähigkeit diesen nicht weiter belasten, können diese andererseits zu Umweltkosten für die Allgemeinheit führen. Diese Seminararbeit bewegt sich in diesem Spannungsfeld zwischen Sinn und Zweck des Werbungskostenabzugs, dessen Umweltaspekte und den möglichen steuerpolitischen Lenkungsmöglichkeiten.

Further readings:

- Broer, M., 2022. Bahn-Fernpendler und die Entfernungspauschale: Ein steuerlicher Vorschlag zur Minderung des Co2-Ausstoßes. Der Betrieb, S. 613-619.
- Burger, A., Bretschneider, W., 2021. Umweltschädliche Subventionen in Deutschland, Umweltbundesamt (Hrsg.), Dessau-Roßlau.
- Wünnemann, M., 2019. Eckpunkte für das Klimaschutzprogramm 2030 – Übersicht und Bewertung der steuerlichen Aspekte. DStR, S. 2099-2101.

Topic 7: Tax Complexity – An Overview of the Recent Literature and an Application to the Case of Germany

Description:

Taxation is generally considered a complex topic by the broader public. But also in the professional world, the concern is often raised that the tax code has become more complicated over time. This is particularly true in Germany, where multiple attempts to simplify the system of direct taxation have failed. From a scientific point of view, multiple questions in the empirical literature arise from this development: how can we adequately measure tax complexity? Which factors drive tax complexity? What is the effect of complexity on individuals, corporations and administrations?

Further readings:

- Abeler, J., Jäger, S., 2015. Complex Tax Incentives. *American Economic Journal: Economic Policy*, 7 (3): 1-28. DOI: 10.1257/pol.20130137
- Blesse, S., Buhlmann, F., Dörrenberg, P., 2019. Do People Really Want a Simple Tax System? Evidence on Preferences Towards Income Tax Simplification, ZEW Discussion Paper No. 19-058
- Eichfelder, S., Evers, L., Gläser, S. C., Heinemann, F., Jenzen, H., Kalb, A., Misch, F., 2010. Auswirkungen von Steuervereinfachungen. Bundesministerium für Wirtschaft und Technologie, Mannheim.
- Hoppe, T., Schanz, D., Sturm, S., Sureth-Sloane, C., 2018. What are the Drivers of Tax Complexity for MNCs? Global Evidence. *Intertax*, 46 (8/9), 654-675
- Ramboll Management Consulting & The Evaluation Partnership & Europe Economic Research, 2014. A review and evaluation of methodologies to calculate tax compliance costs. *Taxation Papers* 40, Directorate General Taxation and Customs Union, European Commission.
- Slemrod, J., 2005. The Etiology of Tax Complexity: Evidence from U.S. State Income Tax Systems. *Public Finance Review*, 33(3), 279–299. <https://doi.org/10.1177/1091142105275003>
- Zwick, E., 2018. The Costs of Corporate Tax Complexity. NBER Working Paper No. w24382. Available at SSRN: <https://ssrn.com/abstract=3138315>

Topic 8: Countering Tax Evasion with Third-Party Reporting – An Overview and Critical Assessment

Description:

Tax evasion is a crucial problem for governments around the world. Based on randomized audits the American tax authority reported a tax gap of 406 billion USD for the US in 2016, corresponding to a share of 16.3% of tax liability that will never be remitted. An important tool to fight tax evasion and to improve tax compliance is third-party reporting. Third-party reporting requires external sources to report taxable income earned by individuals and businesses directly to the government, thereby allowing the government to verify tax returns against these sources. Typical examples for third-party reporting are employers withholding and remitting taxes on behalf of their employees or credit card companies and banks reporting sales and electronic payments to the tax authority.

Further readings:

- Adhikari, B., Alm, J., & Harris, T. F., 2021. Small business tax compliance under third-party reporting. *Journal of Public Economics*, 203, 104514.
- Bjørneby, M., Alstadsæter, A., & Telle, K., 2021. Limits to third-party reporting: Evidence from a randomized field experiment in Norway. *Journal of Public Economics*, 203, 104512.
- Kleven, H. J., Knudsen, M. B., Kreiner, C. T., Pedersen, S., Saez, E., 2011. Unwilling or unable to cheat? Evidence from a tax audit experiment in Denmark. *Econometrica* 79 (3), pp. 651–692.
- Slemrod, J., Collins, B., Hoopes, J. L., Reck, D., Sebastiani, M., 2017. Does credit card information reporting improve small-business tax compliance? *Journal of Public Economics* 149, pp. 1–19.