

## Module: TAX 450 Taxation of Multinational Firms

### Contents:

Multinational groups operate globally and are thus faced with heterogeneous taxation frameworks. On the one hand, this is a compliance issue but on the other hand it can be shown empirically, that firms also adjust their behavior (e.g. locations choices, investment choices, capital structure) accordingly. In this context taxes (tax rates and the definition of the tax base) are one decision factor between other business or economic determinants. This knowledge, in return, is relevant for policy makers trying to attract foreign direct investments by offering attractive tax systems. Due to the mobility of capital, complex cross-border group structures, and little harmonization in tax codes, the tax competition by countries as well as tax planning activities of firms can lead to a situation where multinational groups pay very little taxes. This might lead to an erosion of the tax revenue as well as to competition distortions towards domestic firms.

In this course, we start by having a look at different tax systems in the world and in particular in the Asian Pacific region and Europe. By studying these examples, we will get some insights into the heterogeneity of tax systems and we will also discuss how these regulations matter for firms' decision making. In a next step, we will particularly focus on the taxation of cross-border transactions which are common for multinational firms. We will learn, how double taxation could arise and we will look at the guiding principles of international taxation to avoid this double taxation. Finally, based on this, we will study several stylized tax planning strategies for cross-border investments. In this context case studies (e.g. cross-border financing and implementation of holding companies) are used to illustrate the impact of tax planning strategies on tax payments. In particular, we look at the prominent examples of Apple and Google and how they achieve extremely low overall tax rates. Since fiscal authorities increasingly introduced anti-avoidance regulations that should limit aggressive tax planning, we will finally discuss how these regulations work and why or why not they might be effective. Here we will also draw a link towards the ongoing OECD debate on countermeasures against base erosion and profit shifting.

### Learning outcomes:

- Understand why taxation matters and how the different elements of the tax code might affect firms decision behavior;
- Learn about the heterogeneity of tax regimes by looking at some illustrative examples from the Asia Pacific Region and Europe
- Understand and evaluate the consequences of taxation when undertaking cross-border transactions;
- Learn about the basic principles of international taxation
- Identify the key tax issues that affect the tax burden of international investments
- Analyse basic tax planning structures related to financing strategies and holding companies
- Understand what the recent BEPS (base erosion and profit shifting) debate is about and why Google, Amazon etc. achieve extremely low tax rates
- Learn what countries are doing or plan to do to address aggressive tax planning

<b>Prerequisites:</b>		
<b>Formal:</b>	semester 4 or higher	
<b>Recommended:</b>	-	
<b>Obligatory registration:</b> no	<b>Further information on registration:</b> -	
<b>Courses</b>	<b>Hours per week</b>	<b>Self-study</b>
Lecture	2	4
ECTS in total	3	
<b>Form of assessment</b>	Written exam (60 min.)	
<b>Lecturer/Person in charge</b>	Prof. Dr. Katharina Nicolay	
<b>Duration of module</b>	1 semester	
<b>Offering</b>	Spring semester	
<b>Language</b>	English	
<b>Program-specific educational goals</b>	LG 1, LG 2, LG 3	
<b>Grade</b>	Graded	
<b>Range of application</b>	B.Sc. Business Administration	