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Dear Professor Visek and colleagues:

Thank you for the opportunity to review the habilitation thesis of Petr Janský, Ph.D. which is entitled "Tax Havens and Financial Secrecy". Below, I evaluate the content of the individual chapters and conclude with an overall assessment of Dr. Janský's contributions to the field of economics.

Chapter 2 of the thesis critically surveys the various concepts of tax havens, offshore financial centers, etc. The main point of the article is that these measures often lack a clear definition or criteria by which a country can be judged to fall into a category such as a tax haven, which, as the paper argues, in any case should not be a binary categorization where a country is judged to be a, say, tax haven or not. The paper then goes on to argue for the approach used by the Tax Justice Network (TJN), which is embodied in its Financial Secrecy Index (FSI). The methodology of the TJN in compiling the FSI is explained and the rankings of a sample of countries by their FSI are compared with other measures of country involvement in tax avoidance, corruption, etc. The upshot of this comparison is that the countries with the highest FSI are not small or necessarily corrupt countries but rather large, well-governed and highly-developed countries. Thus, the article calls on researchers to rethink how, in their empirical work, they categorize countries that contribute to financial secrecy and tax evasion. This, then, is interesting information for scholars about the possible advantages of using the FSI in their work.

Chapter 3 addresses the possibility of adding the FSI to the Commitment to Development Index (CDI) that is compiled by the Center for Global Development (CGD), a reputable "think tank" located in the United States. The CDI seeks the measure the commitment of wealthy nations to the development of less-developed countries. Tax avoidance, etc. are harmful to development efforts, and since, as shown in Chapter 2 of the thesis, it is large wealthy countries that rank high in financial secrecy, the author argues that the FSI should be included in the CDI to give a better picture of the extent to which wealthy countries aid (or harm) poor ones through the shifting of profits. Dr. Janský explains why financial secrecy harms developing countries, discusses how the FSI could be incorporated into the CDI, and shows how the CDI rankings of countries would change if the FSI were included. Since the research was supported by both the Tax Justice

Network and the Center for Global Development, it would seem that some positive outcome should be expected from this paper with regard to the merger of these two indexes.

Chapter 4 is more of a mainstream research paper than are the two previous chapters. It examines the behavior of MNCs operating in India to see if MNC affiliates that belong to MNCs with tax haven links transfer more of their income out of India than do other MNCs.

Unfortunately, neither the tests based on a comparison of means taken from the summary statistics nor the rather limited regressions give particularly strong results, but there is some support for the main hypothesis. **Chapter 5** repeats the exercise described in Chapter 4 but using data for the Czech Republic. The hypothesis that MNCs with connections to tax havens pay less tax as a share of profits than do MNCs without such links is not sustained by the data. MNCs with links for tax havens do have higher levels of debt in the Czech Republic. The explanation for this is rather speculative. **Chapter 6** repeats the exercise reported in Chapter 5 but examines the role of MNCs' links to three "tax haven" countries on MNCs' tax shifting out of the Czech Republic. Luxembourg and Switzerland are identified as causing tax shifting out of the Czech Republic, but only through the mechanism of MNCs linked to them having higher debt levels in the Czech Republic, and the evidence for the Netherlands is weaker. As in the previous studies, the question of why MNCs would reduce their tax liabilities in the Czech Republic only by means of higher debt loads remains. Also, given the low R-squared reported for the regressions in Table 6.3, further investigation would seem warranted as sector dummies seem to account for a significant improvement in R-squared although there seems no theoretical argument for why sector dummies should play a role in firms' debt.

Chapter 7 uses a number of studies of profit shifting by MNCs to estimate the tax revenue losses that the Czech Republic faces from such activity. These studies include some that are specific to the Czech case, some that are based on a multi-country sample and one case of expert opinion. As the author notes, all these studies are subject to considerable uncertainty and are based on rather strong assumptions whose validity cannot be verified. As a result, even with updating by the author, the estimates show a wide range of estimates, suggesting that further work on this topic is warranted, which is the main point of the paper.

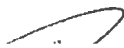
Chapter 8 is a rather innovative paper that uses data collected in the United States on its MNCs operations abroad. The authors report that, over time, there has been a close correlation between where these firms' economic activity (measured in various ways such as wages paid, assets, etc.) takes place and where taxes are paid. However, in the years following the global financial crisis, the correlation has decreased somewhat and according to the authors' calculations, the amounts of profit shifted by US MNCs to a few tax haven countries are, in fact, quite large in absolute values. The policy implications of this work are important, not only for the US but also for international organizations such as the OECD, which is trying to develop policies for its members with respect to the issue of tax shifting.

Chapter 9 updates and improves an IMF study of the distribution of tax revenue losses due to MNC tax shifting. The original study was carried out by researchers at the IMF, and Chapter 89 uses a better tax income data base to refine the estimates of revenue losses, which appear to be less than those reported in the IMF study. Second, in Chapter 9, the tax revenue losses are also

computed by country. The conclusion is that less developed countries appear to suffer the greatest losses from MNCs' tax shifting efforts. The paper also suggests some policy conclusions that can be drawn from the analysis.

Chapter 10 also addresses the question of tax revenue losses due to tax shifting by MNCs. The authors make good use of several different data bases and estimate whether reported returns on FDI are influenced by whether or not MNCs are able to move their profits to tax haven countries. The regression results confirm the tax-haven country effect and the authors use their data to calculate revenue losses by country. While poor and rich countries lose about the same amount of revenue in absolute terms, this, of course, means that as a percentage of GDP, poor countries suffer more from Profit shifting. While this paper has not as yet been accepted for publication, my expectation is that it will be.

The habilitation thesis thus consists of single-authored or jointly-authored chapters, each representing an article that deals with the topic of tax shifting by MNCs'. The papers have been (or will be) published in reputable refereed journals and they constitute a coherent and useful body of research on this subject, which is increasing in importance over time, both with respect to scholarly interest as well in terms of the growing interest attached to the subject by international bodies such as the OECD, IMF, etc. and by policy makers in many countries. Dr Janský's participation in the international group, the Tax Justice Network, speaks well to the international reputation of his research. Consequently, I judge the habilitation thesis as meeting the stated requirements set out for appointment as Docent.



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