

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Lukáš Nepivoda
Advisor:	Mgr. Miroslav Palanský
Title of the thesis:	Profit shifting of multinational enterprises: A refined FDI approach

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

This thesis builds on recent research and estimates the scale of corporate profit shifting using the FDI approach. It is one of only a few studies that have used this novel approach and thereby provides an important contribution to the existing literature. Lukáš provides estimates of shifted profits for 46 countries. What I find to be a particularly interesting aspect of this work is the use of a continuous indicator of tax havens, which is an important improvement over previous research in this field. I was happy to see the estimates of the negative relationship between the share of foreign direct investment coming from countries with lower effective tax rates and the return on this investment are quite robust, providing confident (by the standards of this literature) evidence of profit shifting. I would like to see even more discussion on the different estimates of the relationship when using different intervals of effective tax rates to define which foreign direct investment is considered to originate from tax havens.

Methods

I have used this approach in a recent publication and I am happy to report that Lukáš has successfully implemented the methodology, and, importantly, improved it in several ways. Crucially, he uses country-specific lists of tax havens that are defined by differences in the so-called lowest available corporate tax rate (a forward-looking substitute for effective tax rates). He sets this difference at four different levels and compares the results. Also, Lukáš uses updated data sources to provide updated estimates and compares them to the existing ones.

Literature

I believe that the literature review in this thesis is thorough and does not omit any important studies in the field. Lukáš positions his work relatively well - as an extension of the approach developed by UNCTAD and then extended and used by Janský & Palanský (2019). Overall, I am satisfied with the literature review in this thesis.

Manuscript form

The text is well-structured and readable. Typos and errors are relatively scarce and tables and figures are clear and easy to understand.

Summary and suggested questions for the discussion during the defense

It is clear that Lukáš has spent a lot of time working on his thesis and has done a good job. He has discussed his work with me thoroughly. I believe that the thesis satisfies the standards of IES and should Lukáš successfully defend his work in front of the committee, I propose the grade A.

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	29
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	96
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Mgr. Miroslav Palanský

DATE OF EVALUATION: August 29, 2019



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong	Average	Weak
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong	Average	Weak
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong	Average	Weak
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong	Average	Weak
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F