Abstract

This thesis studies the effects of differences in the international tax system on the location of target companies and potential tax savings leading from international transactions. Using a large sample of M&A transaction data, we develop a target location choice model and estimate it by a multinomial logistic regression. The results show that differences in taxation of target and acquirer country provide opportunities for tax optimization practices that increase the probability of choosing a target location with higher tax difference. We further evaluate these effect using regression on takeover premium which shows that 1 percentage point increase in difference of effective average tax rate may cause up to 0.5 percentage point increase in takeover premium. The found effects are heterogenous for individual companies and correspond to characteristics of tax-inversions and profit shifting practices.