

Report on Bachelor / Master Thesis

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

Student:	František Kosář
Advisor:	doc. Petr Janský, Ph.D.
Title of the thesis:	Impact of Digital Service Tax on tax revenues of EU members

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

Short summary

This thesis examines whether the introduction of the digital service tax in selected EU countries has increased corporate income tax revenue.

Contribution

The topic is timely and important, as it related to several high-level initiatives to reform the international corporate tax system. However, the contribution of the thesis could have been clarified much more. The main result of the thesis (even if it based on an estimate that is not statistically significant at the conventional levels), as reported on p. 26, is 12 billion USD of extra revenue, and the author mentions an estimate of 1 trillion USD by the European Commission and goes on to provide possible explanations for why his number is smaller – but it is not at all clear how these two numbers are related. How has the estimate by the Commission been produced? Was it a similar methodology? Should we have expected these two numbers to be closer together? If so, it would be good to see a plausible explanation of why they differ so much.

Methods

I have a few relatively major concerns with the methodology used in this thesis:

1. Why should we expect all DST to have the same effect on corporate tax revenue regardless of the tax rate and the base to which the tax is applied? This is mentioned on p. 27 as a shortcoming of the analysis, but I suspect it would not have been difficult to include for example the tax rate instead of the dummy variable (given that it's only 8 observations and the data is readily available with some detail for example here: <https://taxfoundation.org/digital-tax-europe-2020/>), which is a pity - the value of the analysis could have been greatly improved by this adjustment.
2. The dependent variable includes a lot more than what is influenced by a DST, and the author does not seem to acknowledge this fact. On p. 25, he writes: "It turned out, that the higher the digitalisation, the less tax revenue will be collected from the MNEs.". This is not an accurate interpretation of what the author is measuring, since we do not know how much of the dependent variable was contributed by MNEs and how much by other companies.
3. Even more importantly, it is not clear to me whether revenues from DST are actually included in the dependent variable used in this thesis. The guide to the OECD revenue statistics does not mention where DSTs are included, but I believe it is likely that they are included elsewhere than in Corporate income taxes, since these are not income taxes. This is potentially a crucial problem for the analysis and this should have been carefully investigated and discussed in the thesis.
4. There are only 8 observations of introduction of DST, which is a very low number for any statistical inference. This is acknowledged by the author, but that does not change the fact that this decreases the value of the analysis. Also, related to the number of observations, I am not sure how the author obtained 89 observations in model (2) in Table 5.5., since the I understand that the first-difference model is obtained by differencing the observations for each country – I would be expecting to see 72 observations here.

Literature

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The literature review in this thesis is poorly executed and only contains a description of the two pillars of OECD BEPS, which is actually an alternative solution to DSTs (but this relationship is not clarified in the thesis). Many important papers on the topic should have been cited and discussed – the thesis deals with an area that has a rich literature, but the bibliography only includes 12 items, two of which are general econometrics textbooks. This is also why the contribution of the thesis is not clear from the manuscript, as mentioned above.

Manuscript form

The manuscript reads fairly well, although the structure could be improved. For example, the introduction should make it clearer what the thesis does, what are the findings, and how that contributes to the existing literature. Furthermore, some sections would benefit from further proofreading and editing. For example, on the first page, some special characters are typeset wrong and paragraphs are not separated in a consistent way; some references are not carefully reviewed (e.g. “Data, O.” or “COM, E.”). Sometimes the text is a bit confusing – for example, when describing the methodology, the author talks about regions, but the analysis is carried out at the level of countries.

Overall evaluation and suggested questions for the discussion during the defense

I suggest to discuss the methodological concerns I describe above during the defense.

In my view, the thesis fulfills the requirements for a Bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade D. The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	20
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	8
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	64
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: Mgr. Tereza Palanská, M.A.

DATE OF EVALUATION: 31.8.2022

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Tereza Palanská

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.*

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.*

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

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.*

Overall grading:

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