Abstract

This thesis investigates the profit shifting practices of European banks using country-by-country reporting data. The main contribution is the first use of Global Reporting Initiative reports by hand-collecting a sample of six banks. The thesis estimates the banks' effective tax rates in two ways, highlighting the advantages and limitations of each method. Additionally, the study compares the economic activity, employees, and tangible assets in tax havens and estimates multiple models to estimate the amount of shifted profits into tax havens. The analysis finds no significant connection between the effective tax rate of jurisdiction and booked profits, which is in contrast to a large body of existing literature. It concludes that the sampled banks do not systematically use tax havens but confirms a positive relationship between a bank's size and its participation in profit shifting. The thesis also highlights the correlation between tax transparency and lower tax avoidance among the sampled banks, which is in line with the hypothesis that increased transparency can increase tax revenue.