

## Abstract

The aim of this thesis is to explore the firm-specific determinants of the demand for tax haven operations by Czech firms. Our objective is to better understand the firms' incentives for tax haven use, and furthermore whether there exists cross-haven heterogeneity in those incentives. The thesis examines the firms' tax haven investment behaviour by analysing firm-level data for 15,530 Czech firms for year 2013. To the extent of our knowledge, this has been the first research of its kind devoted to Czech firms. The evidence suggests that larger, more profitable firms with larger international presence are most likely to use tax havens. The analysis also indicates that higher firm indebtedness is associated with greater likelihood of establishing tax haven operations. This would suggest Czech firms engage in profit shifting through the use of debt financing. Furthermore, service firms were found to be more likely to use tax havens than manufacturing firms. This contrasts with previous research where R&D intensity was a leading indicator of tax haven use. Additionally, we found significant cross-haven heterogeneity in the determinants, particularly in the sector-specific characteristics. In our sample, service firms favoured Cyprus and the Netherlands, while manufacturing firms preferred Luxembourg and Switzerland. The findings of the thesis suggest policy makers turn their focus to service firms engaging in tax haven use, and to debt financing as the method used for profit shifting. We also propose concentrating on tax haven countries individually rather than considering them a homogenous group.