

Abstract

Thesis: *The Role of Tax Havens for Banks: Evidence
from Two Firm-Level Datasets*

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The thesis focuses on the base erosion and profit shifting in the banking sector, a topic that has not been studied much so far. We are the first to compare Orbis data with recently available country-by-country reporting data on banks' economic activities. In Orbis data, we identify underreporting of the number of countries where bank groups operate, tax, or the number of employees while some of the profits seem to be missing in country-by-country reporting data. In the second part, we study the tendency of banks to shift their profits due to two incentive – either low taxation or high financial secrecy. We find that the locations of banks' profits are sensitive to statutory tax rates and that this elasticity is higher at higher levels of statutory tax rates while effective tax rates do not seem to affect banks behavior. For the first time in this context, we use the secrecy score of the Financial Secrecy Index to analyze the secrecy incentive to shift the profit but we do not find any significant evidence that financial secrecy influences banks' behavior. Finally, we provide the first analysis of whether the obligation to disclose information on the country basis from the year 2014 has any effect on the location of banks' profits. However, we find only some unconvincing evidence that EU banks reduce the profit in tax havens while non-EU banks do not change their behavior.