Abstract

There is a large body of literature indicating that profits are shifted into countries with better conditions, i.e. lower tax rates. It was showed that the problem is nonlinear. However, precise estimates are missing in the available literature. In this thesis we improved the precision by allowing for nonlinearity, time-variant tax semi-elasticity of profits and financial secrecy is a driver of the profit shifting. We showed that all three elements of the estimation are very important. Our analysis suggests that the profit shifting problem started at the turn of millennium and increases since, with some temporal drops. The highest amount of profit shifted out of the United States was almost 300 billion of U.S. dollars with the consequent revenue loss of 62.3 billion of U.S. dolars.