

## **Abstract**

Profit shifting has become a global issue over the last decades. Multinational enterprises' profit-maximizing strategies negatively impact government revenues. In the model, we capture profit shifting incentives through international tax rate differences, considering the extent of economic activities and profit shifting costs. In this thesis, we exploit the country-by-country reporting data recently published by the Organisation for Economic Co-operation and Development. We estimate a semi-elasticity of reported profits with respect to the tax rate difference of 1.44. We calculate that US-based multinational enterprises shift between 74 and 186.7 billion dollars out of the United States. Contrary to our expectations, we do not find US-based multinational enterprises to be more sensitive to tax rate differences compared to other countries covered in the dataset. Finally, we express the need for the transformation of our tax variable to account for non-linearities.