

Report on Bachelor Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Matej Kvorka
Advisor:	doc. Petr Janský, M.Sc., Ph.D.
Title of the thesis:	Impact of tax rate differences on profits of US multinationals

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary & Contribution

The author enriches the existing literature on impacts of profit-maximizing strategies on government revenues with respect to tax rate differences among the countries. Particularly, this study explores the effects on profits of US multinationals using the recent data published by OECD and IRS.

This is a reasonable effort as the globalization motivates international corporations to optimize allocation of their profits among proper tax jurisdictions in order to maximize their overall after-tax income. Nonetheless, a broader discussion of the findings, detailed comparison of partial results, and transparent definition of limitations of this study would be welcome.

Methods

The selection of methods used corresponds to the topic and the expected level of a bachelor thesis – employing the OLS estimation using the model introduced by Hines and Rice (1994) and extended to a multilateral environment by Huizinga and Laeven (2008), including sufficient robustness checks.

The list of tax havens classified by Gravelle (2009) – which combines degrees of taxation, financial secrecy, and technological infrastructure – is used for the sake of assessment of the individual tax havens' desirability.

At the level of bachelor thesis, it would be beneficial to explicitly determine the main hypotheses of the research and later test them.

Literature

Overall, the literature review seems to be thorough – presenting the OECD's *Base Erosion and Profit Shifting* project, the cornerstone model of the thesis, and the alternative misalignment model, including an emphasis of selected papers which further elaborate on and modify the mentioned models. Nevertheless, I would suggest to explicitly specify the contribution of this bachelor thesis in comparison with the existing research.

Manuscript form

The thesis is written in LaTeX and the text is fully coherent. The level of English is high, figures and tables are thoroughly described, and bibliography is well arranged. For the sake of the reader's comfort, the citations might be linked to *Bibliography* in the PDF version of the document.

Overall evaluation and suggested questions for the discussion during the defense

The author has submitted a very fine example of a study on capturing the effects of tax rate differences on profits at the level of bachelor thesis. The results of the Urkund analysis do not indicate significant text similarity with other available sources. Based on the awarded points, I recommend the thesis for defense and propose to award it with the highest grade (see the score below). Should

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the author elaborate on contribution of the thesis, prepare a shorter version, and submit it to the IES Working Papers series, I trust the research could be eligible for publication in an international journal.

Questions for the final defense:

i) How would you expect the results to change if you had the amount of tangible assets at disposal as a proxy for economic activity as used by *Fatica and Gregori* (2020)? Explain the rationale of your hypothesis.

ii) Can you elaborate in greater detail on potential reasons for difference between your findings on the level of aggressiveness of US-based MNEs in profit shifting and the ones of *Garcia-Bernardo et al.* (2021)?

iii) Do you consider conducting a subsequent research dealing with the possible non-linearities in the future? What would you expect to change in the results and why?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	19
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Dominik Herman*

DATE OF EVALUATION: *May 27, 2021*

*Digitally signed (2021-05-27):
Dominik Herman*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F