Report on Bachelor / Master Thesis

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

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

OVERALL ASSESSMENT

Contribution

Matej Kvorka wrote an excellent empirical thesis about taxation of multinational enterprises. Matej poses an important research question in his thesis title and answers it in the thesis itself with the use of the state-of-the-art methods and the best available data. The combination of methods and data has never been used before by anybody and Matej thus managed to bring new evidence to the topical issue of profit shifting by US-headquartered multinational corporations that is gathering more and more interest from researchers as well as international policy makers that are currently trying to agree on a new global tax system that would address the challenges quantified rigorously by Matej.

This is a fine piece of research work and I encourage Matej to work on refining results and their presentation in the form of a shorter and more focused academic paper that could be published in one of the relevant economics journals such as International Tax and Public Finance.

Overall, Matej's thesis is a great achievement for a bachelor thesis and he showed ability to independently study theoretical models, dive deep into the existing academic literature and apply the most rigorous methods to data hardly used before.

Methods

Matej has chosen the most advanced methods and applied them to the most suitable data to study the effects of tax rate differences on profits of US multinational corporations. Perhaps most innovatively, Matej replicated the model proposed by Huizinga and Laeven (2008) in their Journal of Public Economics using the only recently released country-by-country reporting data.

Matej showcases his awareness of advantages and disadvantages of applied methods throughout the thesis and I enjoyed reading that the linear specification of the composite tax variable may severely underestimate the sensitivity of reported profits to taxes in tax havens. To address that specific issue, he relied on an approach recently applied by Fatica and Gregori (2020), splitting the dataset into tax havens and other countries and, using these new estimates of coefficients, he calculated that the US tax base loss to be more than double than his original estimates: 186.7 billion dollars. Despite these improvements, he is aware that he might push the frontier even further and he suggests that appropriate transformation of the tax variable and adjustment of the methodology might be a better approach to account for possible non-linearities, with which I agree and I hope that he will have a chance to try applying this in the future.

Literature

Matej has an excellent grasp of the relevant literature he showcases this in the first three chapters as well as other parts of his thesis.

Manuscript form

The thesis reads and looks extremely well and this reinforces the strong substantive characteristics of the thesis.

The thesis is written very clearly, the style and language used is mostly very appropriate. (Minor exceptions exist such as when Matej refers to "His equation" on page 7, referring to the excellent work of Dowd et al (2017), which consists of three people and, moreover, one of them woman.)

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Suggested questions for the committee

So, what are the effects of tax rate differences on profits of US multinational corporations?

In case you are familiar with the global corporate tax reform proposed by the new US Joe Biden's administration, in what way, if any, does it address the effects that you studied in your thesis?

More generally, does your results provide any policy implications?

Summary

In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade A.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

In short, Matej Kvorka did an excellent job of writing a thesis and I recommend **a grade of A as well as the distinction and a nomination for any relevant awards.**

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

CATEGORY	POINTS
Contribution (max. 30 points)	30
Methods (max. 30 points)	30
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	**100**
GRADE (A – B – C – D – E – F)	**A**

NAME OF THE REFEREE:

DATE OF EVALUATION:

Digitally signed (28. 5. 2021)
Petr Janský

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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