

# Report on Bachelor / Master Thesis

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

Student:	Bc. Michal Král
Advisor:	Petr Janský, Ph.D.
Title of the thesis:	Base erosion and profit shifting in eastern European countries

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

Michal Král wrote an excellent, policy-relevant empirical thesis on the corporate tax base erosion and profit shifting (so called BEPS) in eastern European countries, including the Czech Republic. The aim of his thesis was to provide new evidence of profit shifting activities with the focus on tax havens and eastern Europe, a region that has not been studied much from the point of view of BEPS. He analysed detailed financial and ownership data with more than 600 thousand companies from 18 countries for the period of 2006 – 2013 to find that the firms connected to tax havens perform in a significantly different way than the non-connected ones in the years following the establishment of the connection and links this with BEPS.

Michal made good use of the existing relevant literature and, in terms of methodology, he carefully improved and applied an econometric approach to the best available, detailed firm-level data set of Orbis. He improved the text substantially from the first draft of his thesis and he now, for example, very well presents the main results by individual countries (although it is challenging with the number of countries studied and the individual methodological approaches applied.) We can thus, for example, learn from his thesis that the most commonly used tax havens in this region are predominantly Cyprus, British Virgin Islands and Luxembourg with the strongest signs of profit shifting activities exhibiting companies with affiliates in British Virgin Islands. Also interestingly, he finds and reports that countries most suffering by profit shifting using tax havens in eastern Europe seem to be Russia and Ukraine.

As a master thesis, the contribution to existing research is outstanding and relevant to researchers as well as policy makers. However, in comparison with the currently published articles in top academic journals on related topics, Michal's approach might benefit from even better writing and especially structuring, more powerful exposition of his contribution to the existing research as well as a better argument how the his eastern European results are relevant to the international discourse of BEPS and related problems. Also, the section on OECD's BEPS initiative is too long and the space would be better used for an even more intensive discussion of the empirical results or a longer discussion of the relevant literature or the theoretical background. In a future research, he might consider using this or similar state-of-the-art dataset to answer similar research questions with methodologies (such as those discussed in Clausing 2016 or Zucman 2014) that would enable him to provide even more reliable results and draw even firmer conclusions than at the moment.

Overall, I am content with the results of Michal's work as well as the fact that he already decided to pursue the publication of parts of the thesis in the IES WP series and an academic journal. I believe that the quality and relevance of his work warrants a submission to some of the leading academic journals in the relevant fields of economics such as International Tax and Public Finance, Economics of Transition or Fiscal Studies.

In short, Michal did a great job of writing a thesis and I recommend a grade of **excellent (výborně)**.

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

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	28
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	20
<b>TOTAL POINTS</b> (max. 100 points)	<b>95</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Petr Janský, Ph.D.



**DATE OF EVALUATION:** 2<sup>nd</sup> September, 2016

**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

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

Strong                  Average                  Weak  
20                          10                          0

**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.*

Strong                  Average                  Weak  
30                          15                          0

**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.*

Strong                  Average                  Weak  
30                          15                          0

**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.*

Strong                  Average                  Weak  
20                          10                          0

**Overall grading:**

TOTAL POINTS	GRADE		
81 – 100	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě