

MASTER'S THESIS EXAMINER REPORT

IEPS – International Economic and Political Studies

Faculty of Social Sciences, Charles University

Thesis title:	Feasibility analysis of local taxation of cross-regional companies in selected industries in China
Student's name:	Yuanpeng Wang
Referee's name:	Vilém Semerák

Criteria	Definition	Maximum	Points
Major Criteria			
	Contribution and argument (quality of research and analysis, originality)	50	36
	Research question (definition of objectives, plausibility of hypotheses)	15	13
	Theoretical framework (methods relevant to the research question)	15	13
Total		80	62
Minor Criteria			
	Sources, literature	10	8
	Presentation (language, style, cohesion)	5	3
	Manuscript form (structure, logical coherence, layout, tables, figures)	5	2
Total		20	13
TOTAL		100	75

Plagiarism-check (URKUND) match score:

The Urkund plagiarism check did not identify any similarity (the Urkund score amounted to 0%) with existing texts.

Reviewer's commentary according to the above criteria (min. 1800 characters including spaces when recommending a passing grade, min. 2500 characters including spaces when recommending a failing grade):

The genesis of Yuanpeng's thesis was a bit less typical. Unlike many other students, Yuanpeng came with a very clear motivation and a strong vision of not only the topic, but also of its normative implications (and indeed of the results he was planning to get). He was strongly motivated by the perceived injustice of the distribution of profits of internet companies operating in China. However, there were two problems:

- Firstly, so strong normative positions do not often lead to standard papers – and Yuanpeng indeed had to invest a lot of time and effort to transform his ideas from something that would have been rather a passionate pamphlet than a thesis into a more standard analytical form. Still, there are still sections where such positions

come to the surface (definitely section 5, or formulation of the direct policy recommendations on pages 47-48).

- Secondly, the topic (if the original hypotheses were to be fully tested) would have required unavailable data and methods which would be very likely to go beyond of what might be required of a typical student of the IEPS program (e.g. CGE models). This mismatch between the original grand idea and the more humble but feasible methodology is also traceable in the text.

The aforementioned problems also consumed quite a lot of time, which contributed to the fact that Wang Yuanpeng was really short of time in the final weeks before the submission deadline. His attempts to finalize the meta-analytical part of the paper caused that the formal features of the thesis (formatting, final editing and proof-reading) received much less attention: especially section 3.2 would really benefit from some additional editing that would eliminate less clear formulations and jumps in the argumentation (p. 43). In fact, section 3.2.2.4 still contains the words “Not Finished Writing” right in the section heading (p. 37). It also would have been more reader-friendly to improve the formatting (e.g. differentiation of different levels of section headings), recheck and unify capitalization, etc. in the whole text.

As far as the clarity of arguments and the quality of the literature review are concerned, the reader can be a bit confused by the fact that three different (but interconnected) issues are discussed: tax avoidance (profit base shifting and erosion), the logic of international distribution of taxable profits of internet companies (including disputes between the USA and other countries), and finally the original main focus: the logic of intra-national distribution of tax revenues of internet companies. While referring to literature on all these issues makes sense, the organization of the text leaves some space for improvement.

Possibly the most interesting (and most relevant) argument for local taxation of internet companies seems to be the comparison of rents linked to access to users' data with rents related to the extraction of natural resources (p. 26).

Concerning methodology, besides relying on a review of existing literature, Yuanpeng decided to rely on a modern form of meta-analysis that would make it possible to get at least some quantitative results. It should be emphasized that he attempted to use (and in fact learn) the methodology rather independently and invested a lot of energy into learning and applying the main concepts. The reliability of results is harder to evaluate: on the one hand, three measures of fiscal decentralization are discussed, results of additional tests are provided too. On the other hand, the section that describes the results was clearly finished under time pressure. Even more importantly, there is also another and possibly more serious problem – the results are misinterpreted. While Yuanpeng attempted to obtain general results on the direction and strength of the relationship between fiscal decentralization and economic growth, he describes the results as tests of whether it is “right to impose internet taxes at the local level” (p. 51). Obviously, while the second claim is closely related to the general test, it is not identical and there is no guarantee that the conclusions about the positive effects of fiscal decentralization really imply that it is optimal to tax internet companies on a local level. In fact, the discussion of special rents (linked to the access for users data) might have provided a stronger support for such final conclusion.

Proposed grade (A-B-C-D-E-F):

C

Suggested questions for the defence are:

1. Explain the logic and relevance of the term “significant economic presence” which figures in OECD materials on taxation of digital services.
2. Briefly outline the logic of the “funnel plot” and of the tests of the presence of publication biases.
3. You claim that the “market size of online car alone” reached 171.22 billion Yuan in 2016 (p. 44). Is the number correct and what does this include? Is this really about buying cars online or is this related to additional services (advertising, car-related services)?

I recommend the thesis for final defence.

Vilém Semerák
(Digitally signed, September 15th 2022)

Referee Signature

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Quality standard
91 – 100	A	= outstanding (high honor)
81 – 90	B	= superior (honor)
71 – 80	C	= good
61 – 70	D	= satisfactory
51 – 60	E	= low pass at a margin of failure
0 – 50	F	= failing. The thesis is not recommended for defence.