Report on **Bachelor / Master Thesis**

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

Student:	**Bc. Matúš Pravda**
Advisor:	**doc. Petr Janský, Ph.D.**
Title of the thesis:	**Global corporate tax reforms and how they might reduce profit shifting of multinational corporations**

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

Short summary

This thesis evaluates recent proposals for the reform of taxation of multinational enterprises (MNEs). It is well established in the literature that MNEs shift large amounts of their profits to low-tax jurisdiction to decrease their global effective tax rates, and it is therefore high on the agenda of international organizations and governments to mitigate this practice. Four recent proposals are evaluated in this thesis – OECD's Two-Pillar solution, the Minimum Effective Tax Rate (METR) proposal, and the so-called Tax Deficit Model, and the BEFIT proposal. The thesis provides some background and details of each proposal and then presents country-level results of the estimated impact on tax revenue.

Contribution

I have struggled a bit to identify the concrete contribution of the thesis over existing literature that already provides similar estimates. The contribution is not well specified in the introduction, where it should have been. In the conclusion, the author mentions that the BEFIT is evaluated using a new estimation model. If that is indeed the main contribution of this thesis, it should have been highlighted across the thesis and much more emphasis should have been given to it.

It would have been great to see a nice overview of the differences in the evaluated proposals, as well as an overview of the approach this thesis takes vs. the one taken by prior literature. This would have clarified the contribution of the thesis, as there are existing estimates (which actually seem to take care of some issues more carefully).

Methods

Overall, I find the used methods appropriate for the research question at hand.

My main concern is that I am confused by the mismatch of the global total estimates mentioned in the Abstract and elsewhere ("Pillar II proposal would bring USD 198 billion in extra revenue") and the tables with results which seem to be wrong (Table 5.1 says that the US alone would gain an additional USD 692 billion (where total current tax revenues are less than USD 400 billion)).

In a largely descriptive topic like this, it would be great to go beyond the absolute figures and compare the estimated monetary impact with variables relevant to each country, such as GDP or current tax revenue. It would have also been great to see more visualizations of the results, of which there are now only Figures 6.1 and 6.2 (which are not very developed, see below).

On these, the numbers again do not stack up with the global totals – for example, in Figure 6.2, the units are not specified, but the METR proposal seems to be bringing around 800,000 to High, around 10,000 to High-Middle, around 300,000 to Middle-Low, virtually 0 to Low, and perhaps 50,000 to Investment hubs. That gives me 1,160,000 as a global total. The Abstract mentions USD 305 billion as the impact of METR. The figures are not referenced nor explained in the text. This seems to be a major mistake which affects the very core of the thesis.

Minor concerns:

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- I find it strange to have "Investment hubs" as a category in a classification by per capita income. There is no mention of this in the Data section (so that we could find out where this classification comes from) nor is it explained why this is done.
- The Methodology section sometimes confuses tax revenue gain (which I understand as additional tax revenue collected if a given reform is implemented) with tax revenue (which is current corporate income tax revenue) - for example, the first equation in Section 4.1.4 or Table 6.2 seem to be doing this.

Literature

The most relevant literature is cited in the thesis, however, I believe the author could have done a better job classifying the literature so that the Literature review section would be more useful. For example, Chapter 2 starts with a paragraph on "three factors frequently observed in highly digitised businesses", where this space could have nicely been used to introduce us to the Chapter's subsections.

It would have been great to see how this thesis relates to the existing literature to make it clear what its contribution is.

Manuscript form

- I find the manuscript to be not very well structured, with confusing sections in various places. For example, Section 2.1 starts with a sentence on Panama Papers, which seems completely out of place. As another example of a somewhat confusing organization of the thesis, Section 2.7 is titled "Hypotheses" and sits in Chapter 2, which is titled "Literature review".
- The text would benefit from further proofreading; typos and minor grammatical errors that would be easily detectable by a service like Grammarly are relatively frequent (things like "results … suggests" on p. 10).
- Some references are not properly formatted, contain typos (for example, "Bernardoa" instead of "Bernardo") or are not in parentheses when they should be and vice versa (for example, "(Cobham et al. 2021b)" on p. 2) or do not contain the year (for example, "dataset created by Tørsløv et al" on p. 23).
- Some acronyms are not defined (for example, "USBEA" on p. 23).
- Some sections seem to be missing some text, for example Section 5.3 goes straight into Africa, while other evaluated proposals have an introductory paragraph on overall results. Section 5.4 looks like the author has not had time to finish it and goes into significantly less detail than Sections 5.1-5.3.
- Some tables are not referenced in the text (for example, Table 5.1) and would benefit from some basic formatting and edits (decimal comma instead of point, typos, no horizontal lines). The formatting is also not consistent across tables (compare, for example, Table 5.2 with Table 6.1). Table 6.3 is in huge font.
- Some figures would benefit from basic improvements, for example, the figures do not have units on the vertical axis.
- Some of the text in this thesis, submitted in 2023, needs updating: for example, "In 2022, the EC will initiate a larger discussion on the future of taxes in the EU" on p. 13.

Overall evaluation and suggested questions for the discussion during the defense

Suggested questions for the defense:

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- In your estimates, low income countries seem to be gaining very little from at least some of these reforms that favor headquarter countries (rather than places where economic activity takes place). Do you think they should jump on board and support these reforms? And why?
- In your methodology, you are using GDP per capita * number of employees to estimate payroll costs. GDP per capita is very different from wages in MNEs. Can you explain this methodological choice?
- In your conclusion, you write "all participants, including Investment hubs, would benefit from the introduction of these proposals gives motivation for countries to participate". If that were indeed the case, why do you think the solutions have not yet been reached? What other effects, beyond tax revenue impact, could these reforms have?

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 D.

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

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	22
Methods	*(max. 30 points)*	20
Literature	*(max. 20 points)*	12
Manuscript Form	*(max. 20 points)*	12
TOTAL POINTS	*(max. 100 points)*	**66**
GRADE	**(A – B – C – D – E – F)**	**D**

NAME OF THE REFEREE: PhDr. Miroslav Palanský, M.A., Ph.D.

DATE OF EVALUATION: 27.1.2023

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Referee Signature