GLOBALIZATION, TAX POLICY AND TAX HAVENS. SOME CRITICAL CONSIDERATIONS

Nicoleta MIHĂILĂ, PhD*

Abstract

The aim of the paper is to highlight, at a theoretical level, the effects of globalization on fiscal policy, as well as the issue of profit shifting at OECD level, given that, although substantial progress has been made internationally in multilateral fiscal coordination, it remains at a significant level, and the estimated loss of income for advanced economies reaches up to a third of the taxes collected. For developing countries, given their greater dependence on corporate taxes, the losses may be even higher. Therefore, measures are needed to reduce the tax revenues losses, namely excess profits taxes, the wealth taxes or the United Nation tax convention. The methodology was a descriptive one, using various bibliographic sources, mainly from foreign literature: scientific articles, relevant analysis and studies in the field of reference, legislation, official documents of various tax bodies.

Keywords: taxation; profit shifting; international tax regulations; tax competition; corporations

JEL Classification: F23; H25; H26

1. Introduction

The globalization and digitalisation of the economy have led to significant changes in tax systems globally, due in particular to increased fiscal mobility at the territorial level. Taxation strategies have changed, depending on the conditions imposed by trading partners, international agreements, negotiations, or competition.

With the increasing openness / integration of trade in goods and the mobility of factors, the authorities face two challenges, namely the increase in demand for the consumption of public goods (Rodrik 1998,

---

* *Scientific Researcher III, "Victor Slăvescu" Centre for Financial and Monetary Research, Romanian Academy, Bucharest.*

Epifani and Gancia 2009), and the erosion of some tax bases due to their mobility across national borders and, thus, the ability to “escape” from paying high taxes, which forces governments to reduce tax rates (Devereux, Lockwood, & Redoano, 2008, Kleven et al., 2014).

Therefore, there are numerous studies in the specialized literature that focus on the effect of globalization on fiscal policy. According to them, globalization has a positive effect on companies (Garrett, 1995, Quinn, 1997 or Swank, 1998), but others contradict this, especially due to tax avoidance (Bretschger and Hettich, 2002 or Kenny and Winer, 2006). Also, some papers focus on corporate taxation by analyzing the impact of globalization on corporate taxes as a percentage of GDP, with findings suggesting that globalization has a positive effect on corporate tax (as Swank, 1998), but also a negative or neutral effect (as Slemrod, 2004). The same results were obtained when using the corporate tax rate.

One result of this process is that a higher level of public spending must be financed by a declining range of tax bases. In the last quarter of the century, several governments have run tax incentive programs to offset global shocks, while tax rates on mobile base and corporate profits have dropped significantly (Flamant, Godar, and Richard, 2021).

A negative effect of globalization is, as I mentioned above, the avoidance of profit taxation. New ways have been created to avoid paying taxes: multinational companies transfer profits to places with low taxes; countries compete by lowering tax rates; wealthy individuals can move their fortunes to tax havens.

The paper presents the following aspects: presentation of OECD proposals on tax base erosion and profit shifting, "description" of fiscal policy in the context of globalization, within the European Union ("future" of tax policy), aspects of profit shifting and international tax competition (tax havens) and some effects on global revenues.

2. Some theoretical aspects of OECD proposals

In recent years, multinational companies in almost all economic sectors have registered a significant increase in global revenues, an increase that comes largely from Asia, Africa or Eastern and Central Europe, where employment growth and living standards have led to an increase in the consumption of goods and services. In order to benefit from this development, the states have entered into a continuous process of attracting foreign investment, by granting various economic facilities or subsidies, most often in close competition with neighboring states.

If initially the aim, at global level, was to increase the number of jobs, in recent years there has been a focus on discussions about the level of taxes and fees paid by new investors, especially the profit tax and how to establish it.

If a multinational group makes large profits, each state in which it operates through a subsidiary is interested in collecting as much of the overall profit as possible. At the same time, the group has an interest in reducing its level of tax paid globally, so that shareholders can benefit from dividends as high as possible, which is done through various methods and schemes, legal or in the gray area. The purpose of these schemes is, in general, to shift profits from high-tax countries to low-tax countries or to reduce the tax base in high-tax countries by making various payments without economic substance. These levers are implemented through transactions between group companies.

To limit the effects of these practices, the OECD has created, since the 1970s, a series of rules on the taxation of transactions between companies belonging to the same multinational group, structured in the OECD Guide on Transfer Pricing[1]. There have been various opinions on how to regulate transfer pricing, one of these being the application of a formula and on its base is established the taxable profit attributed to each company in the group, taking into account the importance of that company in the creative chain of economic value. However, this variant has not materialized, mainly due to the lack of consensus on the formula itself, and in present is applied the principle of arm length, also called the principle of full competition, namely prices in transactions between companies of the same group must be comparable at prices set between independent companies under similar economic conditions.

At global level, there are discussions about the profits made by multinational groups and how they should be taxed in order to increase the amount of money attracted to state budgets (OECD, 2020). Even in Romania, it is discussed that multinationals invest, due to the low costs and facilities offered by the state, but move the profit made by

[1] *Transfer prices are those prices set between companies part of the same group (affiliated parties) for any type of transaction - sale of goods, provision of services, provision of financing, right to use intellectual property, etc.*

the local company to other companies within the group, for tax or economic purposes.

Also, recently, the actions to verify the transactions carried out between the group companies have been intensified and attempts are being made to make the so-called transfer price adjustments, which ultimately lead to an increase in the level of taxable profit of the company in that country. An example is the investigation launched by the European Commission into the taxation of profits from US IT industry groups, such as Apple, Google or Amazon, from activities in the EU. The additional tax claimed by the Commission in these cases is billions of euros.

The OECD's most recent approach to limiting tax evasion and regulating the taxation of multinational groups is the Base Erosion and Profit Shifting Plan (BEPS). The OECD estimates that the world is losing about $ 100 billion to $ 240 billion in revenue worldwide as a result of the shift in profits and the erosion of the tax base.

The adopted plan, including in the EU, proposes, among other things, that multinational groups submit country-by-country reporting to tax authorities, which will include information on all subsidiaries, including country of residence, profits earned and level of tax paid. Through this reporting, states want to achieve full transparency in how groups structure their profits for tax purposes and try to stop the use of tax havens.

OECD concerns about global taxation also influence, directly or through European legislation, Romanian taxation. The BEPS initiative, launched several years ago by the OECD, with the aim of establishing a tax system at the level of multinational companies that is as fair as possible for the states in which they obtain income, is taking new forms and is targeting more and more areas.

The latest proposals focus on the two tax pillars of multinationals (the minimum global profit tax of 15%, and the mechanism of profit distribution in the source countries):

Pillar I is designed to ensure a fairer distribution of rights to tax the profits of multinational companies between the countries from which they are obtained. Thus, part of the profits made will be allocated for taxation to the countries in which the respective companies carry out commercial activities and make profits, regardless of whether or not they have a physical presence in the respective states.

Pillar II imposes a 15% minimum global corporate tax rate on companies with revenues of more than € 750 million a year and is estimated to generate around $ 150 billion in additional tax revenue each year. Other benefits are expected from the stabilization of the international tax system and the increase in predictability for taxpayers and tax administrations.

If an agreement was reached on the global minimum tax in July 2021 (and later finalized on October 31, 2021), the agreement on Pillar I was announced in early October 2021. It was developed as an alternative to the digital tax and involves the allocation of a part from the profits obtained by large companies to the states from which they derive income, but in which they have no tax residence. According to an analysis conducted by EconPol (2021), under the provisions of the first pillar would enter 78 of the largest 500 companies in the world, and the total amount that would be allocated to the states that contribute to the realization of profits is estimated at 87 billion dollars. Nearly $ 30 billion of that amount would come from US-based technology giants alone - Apple, Microsoft, Alphabet, Intel and Facebook.

The countries that will benefit from the implementation of the first pillar are those from which the companies concerned obtain revenues, but which do not currently have the right to tax them. Among them is Romania, which could obtain the right to tax part of the profits recorded by large companies from the sale of products and services on its territory or from its citizens, even if these companies do not have a physical presence in our country (Bădin, 2021). However, the actual impact can only be estimated when the criteria for reallocating tax rights will be defined and after the OECD recommendations have been transposed into European and / or national legislation.

3. The future of fiscal policy in the context of globalization, within the European Union

We believe that the "future" of global taxation is characterized by a high degree of uncertainty, because so far, several measures have been proposed aimed at limiting the (negative) effects of globalization, but there are few concrete results.

We turn our attention to three possible scenarios for the EU, namely how fiscal policy is affected in general, given that: **1**. **the EU continues on its current path (carrying on**) - everything remains the same, **2. nothing but the single market**, where the focus is the free movement of capital and goods and the maintenance of fair conditions of competition; on the other hand, the free movement of workers and services is no longer guaranteed; **3. doing more together**, which results in greater coordination in social and fiscal matters, as well as greater involvement in financial services.

For EU Member States' tax regimes, each context under review can have important implications for: direct and indirect tax bases and rates; taxation of the digital economy; state aid; blacklist of EU tax havens; public country-by-country reporting; mandatory disclosures.

Scenario 1: Carrying on

The EU maintains its current course, the 27 Member States, focusing on implementing and modernizing the current reform agenda, which includes strengthening the single market, stimulating free trade and combating tax fraud, aggressive tax planning and the erosion of the tax base and profit shifting. Other initiatives could be introduced, which could relate to the harmonization of tax bases, the elimination of tax incentives or the coordination of taxation in the digital economy. For companies, although this context could bring considerable benefits, in some areas the tax burden will increase. Among other things, for example, the EU would effectively become the global supervisor of taxes in combating harmful tax practices and in promoting more "disclosures" of the tax affairs of multinationals.

Scenario 2: nothing but the single market. In this context, a potential effect would be to reduce regulation at EU level, while maintaining or deepening differences in fiscal policies; is uncertain whether and to what extent an EU-coordinated approach to harmonizing tax bases and combating tax base erosion (BEPS) would be possible; tax competition between EU Member States could also increase and reduce the focus on, for example, the fight against tax havens globally. As far as companies are concerned, some of them could benefit from increased tax competition between Member States.

Scenario 3: Doing more together. With regard to taxation, this context could allow progress to be made on strengthening the common tax base (CCCTB) at EU level; direct taxation could also follow the path of indirect taxation, by gradually harmonizing the tax base, finding solutions for the taxation of the digital economy; The idea of financing the EU budget by increasing European VAT revenues or the CCCTB is also being pursued.

In Table 1 we have outlined the effects of the three scenarios.

Table 1

Effects of the three scenarios on the fiscal components

Tax issues	1-carrying on	2-nothing but single market	3-doing more together
Duties			
Customs	No change - already harmonized	No change - already harmonized	No change - already harmonized
Excise	No change	Possible harmonization of rates	Harmonization of rates and possibly penalties
VAT			
Procedure	No change but ongoing discussion on breadth of destination principle	Possible adoption of definitive destination principle for all business to business (B2B) and business-to-consumer (B2C) transactions	Adoption of definitive destination principle for all B2B and B2C transactions
Rates	No change	Possible harmonization of exemptions	Harmonization of rates and exemptions
Personal taxes			
Income tax	No change	No change	No change unless there is significantcchange to the treaty
Wealth/ property tax	No change	No change	No change unless there is significant change to the treaty
Corporation tax			
Common corporate tax base CCCTB	unlikely	unlikely	likely
Rates	Remain under member state control	Remain under member state control	Possible harmonization in medium term

Tax issues	1-carrying on	2-nothing but single market	3-doing more together
Significant digital presence PE (permanent establisment)	depending on OECD agreement	Follow OECD	yes
Digital services tax (DST)	Possibly (absent a unified approach, some unilateral action by member state is likely)	unlikely	yes
Focus on avoidance	Continue as is	New initiatives unlikely	yes
Tax incentives	Allowed on national basis according to EU rules	Allowed on national basis according to EU rules	Depending on EU decisions
Public country-by-country reporting	possible	impossible	yes
EU blacklist and impact on third countries	Continue as is	Reduced activity	Increased use
Tax competition between countries	Will continue with rates and focused incentives	Will continue with rates and focused incentives	Largely eliminated
Compliance burden on companies	Largely the same; different rules remain in all member states	Largely the same but less EU intervention in future; different rules remain in all member states	Significant short term change/disruption but leading to greatly reduced difference in member states

Source: KPMG (2018)

Therefore, we believe that scenario 3, in which more is done together, in other words, cooperation and good understanding at the level of international/European institutions, being essential in achieving the proposed objectives, is the most appropriate.

4. Profit shifting, international tax competition and tax havens. Some economic effects

Companies with international activities have learned to take advantage of gaps and asymmetries between national tax systems to reduce the tax burden; the absence of consistent fiscal coordination between jurisdictions at international level offers companies opportunities for arbitration, leading both to the relocation of tax bases abroad (profit transfer) and to the erosion of these tax bases.

Increased capital mobility, widespread practices of aggressive tax planning by multinational companies, and the behavior of some Member States to attract capital to their jurisdictions have led to the emergence of true international tax havens. The largest tax havens in the world are the OECD member states: the United Kingdom, the Netherlands and Luxembourg. Countries lose more than $ 480 billion annually due to global tax abuse.

Profit shifting and tax competition are major concerns in the international corporate tax system, with digitalisation creating new challenges. Developing countries, which rely more on corporate taxes (as sources of income), are at particular risk.

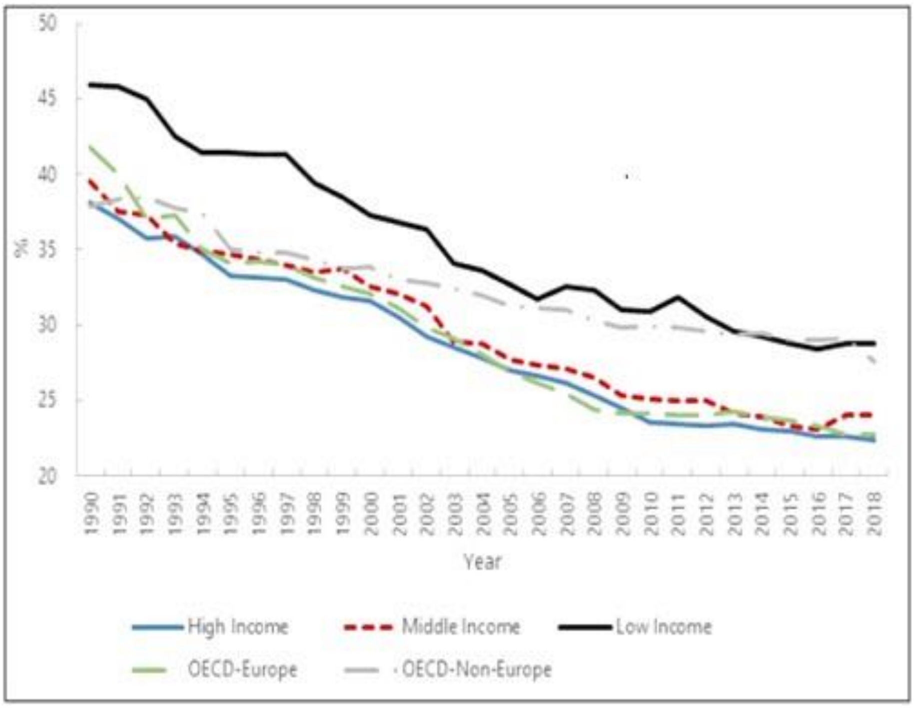
First, despite substantial progress in multilateral fiscal coordination, the transfer of profits of multinational companies is significant. The estimated loss of income for advanced economies is up to a third of the taxes collected. For developing countries, given their greater dependence on corporate taxes, the losses may be even higher. Therefore, the common rules in the project on the erosion of the tax base and the transfer of profit (BEPS) cannot largely prevent the transfer of profit.

Second, tax competition has led to a decline in corporate tax rates in high-, middle- and low-income countries alike.

Third, low-income countries are losing the income they need to reduce their poverty, in part because of their greater dependence on higher income tax revenues. And alternative sources of income, such as VAT, are difficult to expand in economies where the degree of informality is considerable. Moreover, the complexity of new global standards and common approaches is particularly difficult for countries with developing tax administrations and diverts attention from pressing domestic tax issues.

Figure 1

Trends in OECD profit tax rates



Source: IMF (2019)

A study of IMF (IMF, 2019) investigates the impact / effect produced in the transfer of profits by companies operating internationally on investment activities and the implications of profit shifting restrictions on future tax competition (Klemm and Liu, 2019). The conclusion is that "opportunities to change / shift profits unequivocally reduce capital costs in all countries analyzed", and that a "permissive attitude" towards profit shifting is a component of tax competition and that governments are unlikely to give up tax competition in the future.

Table 2
Effects of profit transfer on investment and tax competition

The impact of profit shifting on investment	Impact on tax competition
• Investments in high-tax countries may be higher if investors know they can avoid some taxes by shifting profits • More subtle, investors can also invest more in low-tax jurisdictions, as holding capital in that area can facilitate the transfer of profits to other jurisdictions as well.	• Tax competition is the process of lowering taxes to attract capital investment • The "permissive attitude" towards the transfer of profit is a component of tax competition • Governments can reduce effective tax levels by tolerating a "profit shifting behavior" • If the transfer of profits is limited by international coordination, governments may face stronger pressure to reduce direct tax levels, for example by lowering legal tax rates.

Source: Bauer (2020)

The BEPS project and other recent multilateral initiatives have focused on tax avoidance rather than tax competition, which may be more evident in trends in legal rates of corporate income tax (CIT), or special tax incentives.

It should be noted that developing countries face challenges in implementing BEPS due to their complexity and limited capacity. The main forms of profit transfer that affect them are less sophisticated than those that affect more advanced economies, and tax incentives are a predominant form of tax competition. While external support can contribute to capacity building, attention needs to be paid to internal rules and regulations.

As mentioned before, although BEPS measures have been implemented since 2016, the level of transferred profits remains quite high, being difficult to determine them. For example, according to Riedel (2018), transferred profit levels show an inverse correlation between statutory tax rates and reported profits, as high statutory rates reduce after-tax profits, so companies are likely to target highly profitable projects to jurisdictions with lower taxes. The author also finds that the level of profit shifted can vary from 5% to over 30%.

Rigorous anti-BEPS measures (foreign-controlled companies, country-by-country reporting of tax data, interest deductible limits) have increased government income from corporate taxes, but have also had an effect on real investment. For example, capitalization rules, according to Buettner, Overesch, & Wamser (2014), increase the cost of capital and have negative effects on employment and investment, especially on foreign direct investment.

Also, Mooij & Liu (2018) found that the impact of more stringent regulations on transfer pricing is similar to the effect of increasing the corporate tax rate by a quarter. Another study (Overesch & Hubertus, 2019) found that transparency measures, such as country-by-country reporting, increase compliance costs and effective tax rates. Or, according to Klemm and Liu (2018), limiting the transfer of profit increases capital costs and can thus have direct effects on investment decisions and tax competition.

Theoretically, if governments compete for real investment from firms, partly by lower rates and perhaps lax attitudes toward profit shifting, eliminating the benefits of shifting it will change incentives for companies as they decide where to invest. Klemm and Liu support their arguments by pointing to research that shows the link between the costs of transferring profits and the effects of investments. Higher tax costs have an impact on real investment decisions, and compliance costs associated with proposed policies could change incentives for firms to enter new markets.

Below, in Table 3, we present the situation of the transfer of profits in the period 2015-2018.

Table 3

Profit shifting at global level, in the period 2015 - 2018 (estimations)

	2015	2016	2017	2018	Difference 2018-2015
Profits shifted (mld USD)	616	667	741	946	330
Profit shifted (% din foreign profits)	36,2	36,2	36,0	35,6	-0,6
Tax loss (mld USD)	188	195	212	243	55
Tax loss (% of corporate tax revenues)	9,0	8,8	9,0	9,9	0,9

Source: Torslov, Wier & Zucman (2021)

The above estimates are “pre-BEPS” for 2015 (when the BEPS plan has not been yet implemented; it has been in force since 2016), and post-BEPS for 2018. And there are still significant profit shifting opportunities; the difference in profit transferred in 2018 compared to 2015 is $ 330 billion.

For Romania, the situation is displayed below, in Table 4.

Table 4

Profits lost in tax havens, Romania

	Profits lost (mil USD)	Tax revenue lost (mil USD)	Tax revenue lost (% of corporate tax revenue)
Total tax havens	1,723	276	7%
EU tax havens	1,344	215	5%
Belgium	287	46	1%
Cyprus	17	3	0%
Ireland	96	15	0%
Luxembourg	292	47	1%
Malta	88	14	0%
Netherlands	564	90	2%
non-UE tax havens	380	61	1%
Switzerland	60	10	0%
Bermuda, Caribbean, Puerto Rico, Hong Kong, Singapore, and others	320	51	1%

Source: Torslov, Wier & Zucman (2021)

Compared to the profit losses of developed countries, Romania loses 7% of its corporate tax revenues due to these tax havens (276 million dollars), 5% going to the European Union and $ 215 million, respectively, in countries such as Belgium, Luxembourg or Netherlands.

At global level, according to The State of Tax Justice Report (Tax Justice Network, 2021) countries lose 483 billion dollars in revenues a year, composed of $312 billion due to cross-border corporate tax abuse and $171 billion due to offshore tax abuse by wealthy individuals. Global tax abuse continues to hit lower income countries more severely than higher income countries. While higher income countries lose more tax in absolute number, their tax losses represent a smaller share of their revenues (9,7 per cent). Lower income countries in comparison collectively lose the equivalent of nearly half (48 per cent) of their public health budgets.

Table 5

Tax revenue losses at regional level, 2021

	Total annual tax loss (USD million)	Total annual tax loss (% of GDP)	of which: Corporate tax abuse (USD million)	Offshore wealth (USD million)
Africa	17.117,5	0,7%	14.796,79	2.320,7
Asia	76.946,7	0,3%	52.391,9	24.554,8
Caribbean and American islands	1.605,7	0,6%	943,5	662,2
Europe	225.221,0	1,1%	126.012,7	99.208,3
Latin America	35.583,1	0,6%	32.247,1	3.336,0
Northern America	118.795,8	0,6%	80.390,6	38.405,2
Oceania	7.641,1	0,5%	5.404,5	2.236,6

Source: Tax Justice Network (2021)

From the table above, we see that in Europe there is the largest loss of tax revenue, mainly due to corporate tax abuse, followed by North America and Asia.

Thus, in order to stop/ reduce these large tax revenues losses, it is recommended that the authorities to introduce:

- *excess profit tax* on multinational corporations making excess profits during the pandemic (for example, global digital companies, in order to cut through profit shifting abuses). Multinational corporations' excess profit would be identified at the global level, not the national level, to prevent corporations from underreporting their profits by shifting them into tax havens, and taxed using a unitary tax method.

- *wealth tax*, through which to help reduce inequalities, which were exacerbated during the pandemic years, by taxing illegally held offshore assets. The pandemic has led to a significant increase in the wealth of the rich, even though unemployment has risen to record levels in many countries.

- *UN tax convention*, which means to shift the responsibility of setting tax rules from the OECD to the UN (United Nation); a UN tax convention in made up of an intergovernmental UN forum for the urgent negotiation of further changes to the international tax rules and a

Centre for Monitoring Taxing Rights to raise national accountability for illicit financial flows and tax abuse suffered by others.

5. Conclusions

In this paper we have presented some considerations, from a theoretical point of view, regarding globalization and its implications on fiscal policy, the appearance of tax havens being a direct consequence of this process. In this regard, we used relevant bibliographic references from the specialized literature, the conclusion being that, despite substantial progress in multilateral fiscal coordination, the profit shifting of multinational companies is still significant and the estimated loss of income for advanced economies is up to a third of the corporate income tax collected. For developing countries, given their greater dependence on corporate taxes (sources of income), the losses may be even higher.

In recent years, multinational companies in almost all economic sectors have recorded a significant increase in global revenues, an increase that comes largely from Asia, Africa or Eastern and Central Europe, where employment growth and living standards have led to an increase in the consumption of goods and services. To benefit from this development, states have entered a continuous process of attracting foreign investment, by providing various economic facilities or subsidies, often in close competition with neighboring states.

Increased capital mobility, widespread practices of aggressive tax planning by multinational companies, and the behavior of some Member States to attract capital to their jurisdictions have led to the appearance of international tax havens. The largest tax havens in the world are the OECD member states: the United Kingdom, the Netherlands and Luxembourg. According to the latest estimates, countries lose more than $ 480 billion annually due to global tax abuse.

Other effects of profit shifting in tax havens, besides affecting the tax revenues, we consider that they are: decrease in revenues to the domestic budgets, deepen inequalities between individuals and economic actors in the economic and social context, the lack of transparency of national and national public finances, which makes it possible to link business and investment funds with funds from crime (Lénártová, 2020).

According to the latest OECD tax regulations (OECD, 2021), the 15% global minimum tax might reduce corporate profit shifting and induce a realignment of profits with economic activity; also, other recommendations are related to the introduction of the pandemic excess profits taxes and the wealth taxes or the United Nation tax convention.

References

1. Bădin, D. (2021). Fiscalitatea internaţională, adaptată la era digitală (engl. International taxation, adapted to the digital age) *Ziarul financiar*, 13 October. Available at: https://www.zf.ro/opinii/dan-badin-deloitte-fiscalitatea-internationala-adaptata-la-era-20298581
2. Bauer, M. (2020). Unintended and Undesired Consequences: The Impact of OECD Pillar I and II Proposals on Small Open Economies, *ECIPE Occasional Paper*, 04, July.
3. Bretschger, L. & Hettich, F. (2002). Globalisation, capital mobility and tax competition: Theory and evidence for OECD countries. *European Journal of Political Economy*, 18, pp. 695-716.
4. Buettner, T., Overesch, M., Wamser, G. (2014). Anti Profit-Shifting Rules and Foreign Direct Investment, *CESifo Working Paper*, 4710.
5. Devereux, M., Lockwood, B. & Redoano, M. (2008). Do countries compete over corporate tax rates?, *Journal of Public Economics*, 92(5-6), June, pp. 1210-1235.
6. EconPol (2021). OECD Tax Reform Affects Only 78 of The World's Largest 500 Companies, *Press release*, July 05. Available at: https://www.econpol.eu/press_releases/2021-07-0
7. Epifani, P. & Gancia, G. (2009). Openness, Government Size and the Terms of Trade, *The Review of Economic Studies*, 76(2), April, pp. 629-668, https://doi.org/10.1111/j.1467-937X.2009.00546.x
8. Flamant, E., Godar, S, & Richard, G. (2021). New forms of tax competition in the European Union: An empirical investigation, *EUTAX Observatory Report*, 3, November.
9. Garrett, G. (1995). Capital Mobility, Trade, and the Domestic Politics of Economic Policy. International Organization, 49(4), pp. 657–687. http://www.jstor.org/stable/2706922
10. IMF (2019). Corporate Taxation in the Global Economy, IMF Policy Paper, 19/007, March.
11. Kenny, L.W., Winer, S.L. (2006). Tax systems in the world: An empirical investigation into the importance of tax bases, administration costs, scale and political regime. *International Tax and Public Finance*, 13, pp. 181-215.
12. Klemm, A. & Liu, L., (2019), The Impact of Profit Shifting on Economic Activity and Tax Competition, *IMF Working Paper*, 19/287
13. Kleven, H., Landais, C., Saez, E. & Schultz, E. (2014). Migration and Wage Effects of Taxing Top Earners: Evidence from the Foreigners' Tax

Scheme in Denmark, *Quarterly Journal of Economics*, 129(1), pp. 333-378.

14. KPMG (2018). Political uncertainty in the European Union. Availabe at: https://home.kpmg/xx/en/home/insights/2018/10/political-uncertainty-in-the-european-union.html
15. Lénártová, G, (2020), The Economic and Social Consequences of Tax Havens in the World, SHS Web of Conferences, https://doi.org/10.1051/shsconf/20208301041
16. Mooij, R.A. & Liu, L. (2018). At A Cost: the Real Effects of Transfer Pricing Regulations, *IMF Working Paper*, 18/69, March.
17. OECD (2020), Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint: Inclusive Framework on BEPS, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, https://dx.doi.org/10.1787/beba0634-en
18. OECD (2021). International community strikes a ground-breaking tax deal for the digital age, 10 October. Available at : https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm
19. Overesch, M., Hubertus, W., (2019), Financial Transparency to the Rescue: Effects of Country-by-Country Reporting in the EU Banking Sector on Tax Avoidance
20. Quinn, D. (1997). The Correlates of Change in International Financial Regulation, *American Political Science Review*, 91(3), pp. 531-551.
21. Riedel, N. (2018). Quantifying International Tax Avoidance: A Review of the Academic Literature, Nadine, *Review of Economics*, 69 (2).
22. Rodrik, D. (1998). Why do More Open Economies Have Bigger Governments? Journal of Political Economy, 106(5), 997–1032. https://doi.org/10.1086/250038
23. Slemrod, J. (2004). Are corporate tax rates, or countries, converging?. *Journal of Public Economics*, 88(6), pp. 1169-1186. https://doi.org/10.1016/S0047-2727(03)00061-6
24. Swank D. (1998). Funding the Welfare State: Globalization and the Taxation of Business in Advanced Market Economies. Political Studies. 46(4), pp. 671-692. doi:10.1111/1467-9248.00161
25. Tax Justice Network (2021). The State of Tax Justice Report. November. Available at: https://taxjustice.net/wp-content/uploads/2021/11/State_of_Tax_Justice_Report_2021_ENGLISH.pdf
26. Torslov, T, Wier, L. & Zucman, G. (2021), The Missing Profits of Nations: 2018 Figure. Available at: https://missingprofits.world/wp-content/uploads/2021/08/TWZUpdate.pdf