



Saïd Business School
UNIVERSITY OF OXFORD

OXFORD UNIVERSITY CENTRE FOR BUSINESS TAXATION

ANNUAL REPORT 2008/09

E · S · R · C
ECONOMIC
& SOCIAL
RESEARCH
COUNCIL



OXFORD UNIVERSITY
CENTRE FOR
BUSINESS TAXATION

OXFORD UNIVERSITY CENTRE FOR BUSINESS TAXATION

The Oxford University Centre for Business Taxation is an independent research centre which aims to promote effective policies for the taxation of business.

The Centre undertakes and publishes multidisciplinary research into the aims, practice and consequences of taxes which affect business. Although it engages in debate on specific policy issues, the main focus of the Centre's research is on long-term, fundamental issues in business taxation. Its findings are based on rigorous analysis, detailed empirical evidence and in-depth institutional knowledge.

The Centre provides analysis independent of government, political party or any other vested interest. The Centre has no corporate views: publications of the Centre are the responsibility of named authors. The Centre is not a consultancy: it reserves the right to publish the results of its research.

The Centre's research programme is determined on the basis of academic merit and policy relevance, and is the responsibility of the Director and the Centre's Steering Committee. Decisions on the research programme and the content of research are taken independently of the views of the Centre's donors and other funding agencies. All research carried out at the Centre is undertaken with a view to publication. The Centre complies with the University's policy on conflict of interest.

Oxford University Centre for Business Taxation

Saïd Business School
Park End Street
Oxford OX1 1HP
United Kingdom

T: +44 (0)1865 288904

F: +44 (0)1865 288805

www.sbs.ox.ac.uk/centres/tax/

Professor Michael Devereux



WELCOME

This is the fourth annual report of the Centre for Business Taxation. It summarises the Centre's activities between August 2008 and July 2009.

The Centre has made substantial contributions in its aims of undertaking first-class research in business taxation, and contributing to the policy debate in the UK and elsewhere.

In September 2008, we began a new four-year research programme on "Business Tax and Welfare", financed by a grant of around £2.5 million from the UK Economic and Social Research Council. During the year, we also undertook two research projects on behalf of the European Commission, including an investigation of the likely effects of introducing a Common Consolidated Corporate Tax Base (CCCTB) in the European Union. On behalf of the UK Department for International Development, we also critically surveyed existing work on tax evasion and avoidance in developing countries.

Research staff have produced a large number of academic papers, many of them published in academic journals, and have made scores of research presentations. They have also written many policy-oriented articles, and have engaged policy-makers in formal and informal discussion. Our research continues to benefit from close interaction with both business and government.

The Centre is unique in bringing together leading contributors to the policy debate from government, business, the professions, and academia. We have organised a succession of conferences with topics as diverse as: options for the fiscal stimulus package; corporate tax avoidance; the ECJ principle of 'prohibition of abuse of law'; the European Commission's proposals for VAT on financial and insurance services; the reform of the UK taxation of foreign profits; proposals for a principles-based approach to taxing financial products; thin capitalization; treaty shopping; and the role of tax losses in the economic crisis.

The Centre now has in place a full complement of research staff. Supporting me in leading the Centre have been Professor Clemens Fuest, Research Director, and Professor Judith Freedman, Director of Legal Research. We have also had five programme directors, professors of economics from the Universities of Oxford, Warwick, St Andrews, and Erasmus, Rotterdam, as well as a further eight full-time research staff. We have also expanded our network of International Research Fellows.

I continue to be grateful for the generous support of the ESRC and many members of the Hundred Group of companies.

MICHAEL P DEVEREUX
Director

CONTENTS

- 05 NEWS
- 06 RESEARCH AND RESEARCH HIGHLIGHTS
- 11 CONFERENCES
- 14 ACADEMIC SEMINARS
- 15 NEW RESEARCH STAFF
- 16 NEW INTERNATIONAL RESEARCH FELLOWS
- 18 VISITORS 2008–09
- 20 EXTERNAL PUBLICATIONS
- 22 EXTERNAL PRESENTATIONS
- 24 WORKING PAPERS
- 26 MEDIA COVERAGE
- 27 GOVERNANCE
- 28 RESEARCH STAFF 2008–09
- 30 INTERNATIONAL RESEARCH FELLOWS
- 31 FINANCIAL SUPPORT

Advocate General Miguel Poiares Maduro of the European Court of Justice speaking at the Centre's conference on 'Abuse of Law'



NEWS

THIS YEAR, RESEARCHERS IN THE CENTRE HAVE PUBLISHED TWENTY-TWO PAPERS IN ACADEMIC JOURNALS, A BOOK ON THE EU VAT SYSTEM, AND PRODUCED TWENTY-EIGHT NEW ACADEMIC WORKING PAPERS.

THE CENTRE HOSTED TEN CONFERENCES IN 2008–09; AMONGST THE SPEAKERS WERE MIGUEL POIARES MADURO, ADVOCATE GENERAL OF THE ECJ; ALAN RUSBRIDGER, EDITOR OF THE GUARDIAN; DAVE HARTNETT, PERMANENT SECRETARY, HMRC; AND ALAN AUERBACH, UNIVERSITY OF CALIFORNIA, BERKELEY.

CENTRE STAFF HAVE MADE SIXTY-FOUR PRESENTATIONS AROUND THE WORLD, INCLUDING AT THE IRS, UK TREASURY, AND THE EUROPEAN COMMISSION.

THE CENTRE HAS CONDUCTED RESEARCH ON BEHALF OF THE EUROPEAN COMMISSION AND THE UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT.

RESEARCH BY RITA DE LA FERIA HAS BEEN CITED AT THE EUROPEAN COURT OF JUSTICE AND THE POLISH SUPREME ADMINISTRATIVE COURT.

MICHAEL DEVEREUX WAS ELECTED VICE PRESIDENT OF THE INTERNATIONAL INSTITUTE FOR PUBLIC FINANCE (IIPF).

NADINE RIEDEL WAS AWARDED THE INTERNATIONAL INSTITUTE FOR PUBLIC FINANCE (IIPF) YOUNG ECONOMISTS AWARD FOR HER RESEARCH ON CROSS-BORDER TAX EFFECTS ON INVESTMENT.

RITA DE LA FERIA WAS AWARDED THE 2009 ATAX RESEARCH FELLOWSHIP AWARD AT THE UNIVERSITY OF NEW SOUTH WALES, SYDNEY.

MICHAEL DEVEREUX CONTINUED AS A MEMBER OF THE GOVERNMENT'S BUSINESS-GOVERNMENT FORUM ON TAX AND GLOBALISATION, CHAIRED BY THE FINANCIAL SECRETARY TO THE TREASURY.

CLEMENS FUEST CONTINUED AS CHAIR OF THE ACADEMIC ADVISORY BOARD OF THE GERMAN FEDERAL MINISTRY OF FINANCE.

RESEARCH AND RESEARCH HIGHLIGHTS

The Centre hosts a multi- and inter-disciplinary research programme, drawing particularly on economics, business and management studies, and socio-legal studies.

The main focus of research activities addresses three basic questions:

WHAT ARE THE EFFECTS OF TAXES ON BUSINESS BEHAVIOUR?

WHAT ARE THE EFFECTS OF BUSINESS BEHAVIOUR ON SOCIETY AND THE ECONOMY?

HOW DO, AND SHOULD, GOVERNMENTS DESIGN AND ADMINISTER BUSINESS TAXES?

Each of these broad research programmes contains a large number of individual projects. We also undertake research on a number of other related issues. Our research aims to make an original and substantial contribution to the understanding of these questions. The research uses a variety of techniques, both theoretical and empirical.

The Centre produced 28 new working papers in 2008–09 that are expected to be published in academic journals, as well as a large amount of other research output. The next four pages of this report illustrate some examples of the Centre's research.

HOW SHOULD FOREIGN PROFIT BE TAXED?

The UK debate over the exemption of foreign source dividends raises issues about the appropriate treatment of such income from an economic perspective. This project develops economic principles for the appropriate treatment of the taxation of international profit, from both a global and national perspective. It argues that the optimal treatment from a national perspective is difficult to identify, but is most likely to imply source-based taxation: this supports the UK decision to exempt foreign source dividends from UK tax. However, the new system is far from perfect. The allocation of the profits of multinational companies to individual jurisdictions – which is particularly difficult with source-based taxation – is in many cases without any conceptual foundation. Further the taxation of interest income on a residence basis is also hard to justify if the aim of the tax system is to tax only the income arising from economic activity in a given country.

Contact: Michael Devereux

More information about the Centre's research programme is provided at www.sbs.ox.ac.uk/centres/tax/research

DO COMPANIES COMPETE OVER CORPORATION TAX?

What drives corporate tax planning strategies? This research investigates the extent to which companies benchmark their tax performance against comparable companies – in the same industry, or country, or of the same size. We hypothesize that while companies clearly gain from paying less tax, they may also suffer a reputational loss if their effective tax rate is too far out of line from their competitors. This suggests that the strategies used by companies may depend on those of their competitors. This hypothesis is tested using consolidated accounting data on a large number of companies resident in different countries. The empirical evidence suggests that such benchmarking does take place – both within countries and within industries. Further, the analysis shows that benchmarking is most important for the largest companies, and for companies that have an average effective tax rate above the statutory tax rate.

Contact: Simon Loretz

HAS EU EXPANSION ENCOURAGED TAX COMPETITION?

EU expansion has increased the mobility of capital and business to a wider range of countries. The newer member states tend to have lower corporation tax rates, and a more aggressive attitude towards tax competition, as they seek to attract greater inward investment. Because these countries are now EU members, it is plausible that EU expansion has stimulated international tax competition within the EU. This project investigates whether there is evidence that this has occurred. It is clearly the case that corporation tax rates have fallen throughout the EU, and that they are considerably lower in new member states. This project finds robust evidence that EU member states respond more to the tax rates of other members than to non-EU countries. This is consistent with EU expansion exacerbating tax competition, helping to drive down corporation tax rates in the EU, and ultimately elsewhere as well.

The authors of this paper won the 'Young Economist Award' at the 2009 Congress of the International Institute of Public Finance, for the best paper presented at the Congress by authors under the age of 40.

Contact: Johannes Voget

ALTERNATIVE APPROACHES TO THE REGULATION OF BEHAVIOUR BY CORPORATE TAXPAYERS

Over the past few years the UK introduced a number of alternative approaches to the regulation of behaviour by corporate taxpayers. One of the more innovative approaches, also promoted by the OECD, is a risk-rating approach to tax-risk management, designed to promote an enhanced relationship between HMRC and the taxpayer, based on trust and transparency. The objectives include the improvement of resource allocation and the encouragement of companies to achieve the benefits of low risk rating by, amongst other things, refraining from certain types of behaviour. This research includes a survey of UK tax directors in which detailed tax planning scenarios are used to investigate their views on the impact and success or otherwise of these new approaches. There is broad support for the steps taken to enhance co-operation, although there are questions about the extent to which ratings will affect tax planning behaviour as well as the extent to which administrative measures of this kind should be used to attempt to influence behaviour. The work suggests that, useful though it is, the risk-rating approach cannot itself define what is due under the law or eliminate the need to address that central question.

Contacts: Judith Freedman, John Vella

WHAT ARE THE EFFECTS OF ALTERNATIVE ANTI-AVOIDANCE POLICIES?

This research develops a general framework to analyse how taxpayers are likely to respond to a market that supplies a variety of schemes for reducing tax liabilities. These schemes differ in their legal effectiveness and hence in the risks to which they expose taxpayers. The framework is used to explore the impact of a range of four generic anti-avoidance policies: disclosure, penalties, policy design, and the introduction of GAARs or mini-GAARs that give greater clarity about how different types of scheme will be treated. The theoretical model shows how these different policies affect both the use of schemes overall, and how taxpayers choose between different types of scheme. The first three policies deter taxpayers from using schemes generally, but differ in how they induce tax payers to switch between different types of scheme. The fourth produces mixed deterrence effects.

Contact: David Ulph

HOW SHOULD A FISCAL STIMULUS BE DESIGNED?

In late 2008, the economic crisis forced the UK government to implement a fiscal stimulus. Prior to the Pre-Budget Report in December 2008, this research investigated three questions. Could the UK afford a fiscal stimulus? Would a fiscal stimulus be effective? And how should any such stimulus should be designed? The research indicated that the UK could afford a stimulus, and that it could be effective. It proposed that support should be targeted towards individuals, households and firms that were more likely to be credit-constrained, who would be more likely to spend any additional income generated from a stimulus package. This would have been achieved by, for example, an increase in child and working tax credits, and a temporary increase in capital allowances. In the event, the main stimulus was the temporary reduction in VAT, which was not well targeted – its most effective element was that it was temporary, encouraging spending to be brought forward from 2010 to 2009.

Contacts: Michael Devereux, Clemens Fuest

IS THE CORPORATION TAX AN EFFECTIVE AUTOMATIC STABILIZER?

In an economic downturn, taxes can act as an automatic stabilizer on the economy. For example, net personal income may fall proportionately less than gross personal income as individuals move to a lower marginal tax rate. For companies, the main stabilizing automatic effect would be through the treatment of losses. If companies could claim effective tax rebate, perhaps through losses carried back, then negative shocks to their profit are offset by taxes. In this case, corporation tax can act as an automatic stabilizer as more internal funds are available for investment by credit-constrained companies. However, if losses can only be carried forward, then this automatic stabilization does not exist. This project presents evidence that most credit-constrained firms are likely to be in such a position, implying that corporation tax has provided virtually no automatic stabilization in the downturn. A more generous treatment of tax losses would introduce significantly more automatic stabilization.

Contacts: Michael Devereux, Clemens Fuest

HOW FAR DO TAX HAVEN ACTIVITIES REDUCE TAX LIABILITIES OF MULTINATIONALS?

There is a concern amongst tax authorities and the general public that multinational companies are able to shelter income in low-taxed jurisdictions. However, there is very little existing empirical evidence on how far they are able to do so, and what the impact is on their global tax liabilities. Using consolidated accounting data for a large number of companies between 2003 and 2007, this research investigates the extent to which tax haven activities are associated with lower tax liabilities of multinationals. The results suggest that, at the mean, the marginal effective tax rate (ETR) of a company with a tax haven subsidiary is one percentage point lower than for groups without such subsidiaries. The results also show that the marginal ETR of companies headquartered in countries with a territorial system is lower than that of similar companies headquartered in countries with a worldwide system of taxation. Corporate groups headquartered in the United States have the highest marginal ETR.

Contact: Giorgia Maffini

WHAT DO WE KNOW ABOUT EVASION AND AVOIDANCE IN DEVELOPING COUNTRIES?

In 2005, the average tax revenue to GDP ratio in the developed world was around 35%. In developing countries, it was 15%. Tax avoidance and evasion are widely believed to be important factors limiting revenue in these countries. This research project, commissioned by the UK Department for International Development, reviewed existing empirical estimates of tax revenue losses due to tax avoidance and tax evasion in developing countries. The study concluded that the available knowledge on such losses is very limited, partly due to the lack of data and partly due to methodological shortcomings of existing studies. Some estimates systematically overestimate revenue losses: others are based on assumptions which are so restrictive that the results are difficult to interpret. More research is needed to improve our understanding of these issues, and the project proposes several new directions for future research.

Contacts: Clemens Fuest, Nadine Riedel

SHOULD FINANCIAL SERVICE COMPANIES BE ALLOWED TO OPT-IN FOR VAT?

The European Commission recently proposed reforms to the application of VAT to financial services. In particular, the Commission proposed that firms should be allowed to opt into taxation of currently exempt insurance and financial services. An interdisciplinary research project addressed both the legal and the economic implications of the proposals. From a legal perspective, an option to tax could potentially follow significantly different legal designs, which would give rise to discrepancies in the application of the option amongst Member States. On the economic side, the research indicated that firms would have an incentive to opt in only for business-to-business transactions. An estimate of the upper bound of the amount of tax revenue that might be lost from allowing opting-in was calculated at less than 0.5% of total revenue.

Contacts: Rita de la Feria, Ben Lockwood

DOES CORPORATE TAXATION AFFECT PATENT LOCATION?

There is concern amongst policy makers that companies have some discretion over the location of their intellectual property, independently of where the IP was generated, and therefore may benefit from low tax rate jurisdictions. This research project investigates the extent to which corporate taxation affects the location of the ownership of patents within a multinational group. The research exploits a unique dataset which links patent data from the European Patent Office to accounting data for European companies between 1995 and 2003. The results suggest that the host country's corporate tax rate exerts a large negative effect on the number of patents filed by the subsidiary of a multinational company. In addition, binding 'Controlled Foreign Company' rules tend to reduce the number of patent applications.

Contact: Nadine Riedel

WHAT WOULD BE THE EFFECTS OF EQUALISING THE TREATMENT OF DEBT AND EQUITY?

This project explores two ways in which the treatment of debt and equity could be equalised. Equity could be more generously treated, with an allowance for corporate equity (ACE). Or interest relief could be restricted, as under a comprehensive business income tax (CBIT). This project assesses the effects of each of these reforms if implemented in the EU. The results suggest that ACE would improve welfare if corporate tax rates were not increased to cover the cost of the narrower tax base. By contrast, under the same conditions CBIT would typically reduce welfare by exacerbating marginal investment distortions. However, if the tax rate were adjusted to make either reform revenue-neutral, the CBIT becomes more attractive and the ACE less attractive. European coordination of reforms mitigates tax spillovers within the EU and makes ACE more, and CBIT less, attractive for welfare. A combination of ACE and CBIT reforms can be designed to be revenue-neutral, and which would improve welfare through smaller financial distortions.

Contact: Michael Devereux

DOES A PRINCIPLE OF PROHIBITION OF ABUSE OF LAW APPLY TO TAX?

The Court of Justice of the European Union has been alluding to 'abuse and abusive practices' for more than thirty years, but for a long time the significance of these references has been unclear. Few lawyers examined the case law, and those who did doubted whether it had led to the development of a legal principle. Within the last few years there has been a radical change of attitude, largely due to the development by the Court of an abuse test and its application within the field of taxation in cases such as *Halifax* and *Cadbury Schweppes*. This project focuses on the development of the Court's approach to abuse of law across the whole spectrum of European Union law, analysing the case-law from the 1970s to the present day and exploring the consequences of the introduction of the newly designated 'principle of prohibition of abuse of law' for the development of the tax laws of the Member States.

Contact: Rita de la Feria

CONFERENCES

Paul Farmer, partner in Dorsey & Whitney and International Research Fellow, speaking in October on 'abuse of law'



'PROHIBITION OF ABUSE OF LAW': A NEW GENERAL PRINCIPLE OF EU LAW?

03–04 October 2008, Oxford

Joint symposium with Oxford Institute of European and Comparative Law, Oxford

The Court of Justice of the European Union (ECJ) has been alluding to 'abuse and abusive practices' for more than thirty years, but for a long time the significance of these references has been unclear.

Within the last few years there has been a radical change of attitude, largely due to the development by the Court of an abuse test in *Emsland-Stärke* and its application within the field of taxation in cases such as *Halifax* and *Cadbury Schweppes*.

During the two-day conference, leading legal academics examined the Court's approach to abuse of law; its legal status (as a general principle or mere principle of interpretation); the need for a general principle of EU law; its scope and definition, as provided by the Court; the conceptual distinction between abuse of law and abuse of rights; and the scope of its application and the consequences of its introduction both in EU and in Member States' legal systems. A keynote presentation was made by the Court of Justice's Advocate General Miguel Poiares Maduro.

BREAKFAST BRIEFING: THE 2008 PRE-BUDGET REPORT

09 December 2008, London

The Pre-Budget Report on November 24 contained a number of significant measures for business. The Centre's three directors, Michael Devereux, Judith Freedman, and Clemens Fuest presented research on three key current issues for business taxation: the fiscal stimulus package; the reform of the taxation of foreign profits; and a principles – based approach to financial products legislation. The Centre published a policy briefing note on the fiscal stimulus at the conference which examined the rationale for a stimulus; whether the UK could afford a stimulus; and compared alternative methods of generating a stimulus. Professor James Hines of the University of Michigan spoke on new approaches to business taxation in the USA.

CONFERENCE ON VAT TREATMENT OF INSURANCE AND FINANCIAL SERVICES

10 December 2008, Oxford

This conference was organised at the request of the European Commission. The aim was to bring together leading representatives from UK government, business, the professions, and academia to discuss in detail the proposals made by the European Commission in 2006 on the VAT treatment of insurance and financial services. These proposals focus on the modernisation and simplification of the current VAT rules for financial and insurance services, thus securing a level playing field in the EU market for these services as far as VAT is concerned. The seminar considered how the proposed measures would be applied in practice, primarily identifying how the new rules applied to case studies.

Dhiren Shah of GlaxoSmithKline speaking on CFCs, summer 2009



Graham McDonald of the University of Kent discussing the 'tax gap'



WORKSHOP ON TAXES AND THE LEGAL STRUCTURE OF FIRMS

08–09 January 2009, Vienna
Joint Conference with the Centre for International Taxation at the Vienna University of Economics

This academic conference explored detailed research on the extent to which firms actively use differences in tax laws to optimize their financial and legal structure. Papers investigated decisions about, for example, the debt-equity ratio, the timing and volume of dividend repatriations, the use of tax havens, and the choice of their corporate legal form. Corporate responses to tax differences and governments' responses to tax-induced distortions were discussed, as were specific policy issues, such as the CCCTB, tax treaties, formula apportionment, and thin-capitalization rules.

BREAKFAST BRIEFING: 2009 BUDGET ANALYSIS

12 May 2009, London

Continuing this series of topical briefings, directors of the Centre reacted to the measures presented in the 2009 Budget. Clemens Fuest analysed the UK Government's financial position, following the fiscal stimulus measures and economic downturn. In particular, he identified the optimistic 2007 public spending round as an important reason for the decline in public finances. Michael Devereux examined whether corporation tax provides any automatic stabilizer for investment, and advocated much more generous treatment of losses. Chris Sanger, Head of Tax Policy, Ernst and Young, and Chairman, ICAEW Tax Faculty, and Will Morris, Senior Tax Counsel, GE, and Chairman of the European Tax Policy Forum, discussed the new worldwide debt cap.

TAX AVOIDANCE

08 June 2009, London

The popular debate on tax avoidance by UK companies had been highlighted by a series of articles in *The Guardian* and by the G20 pressure on tax havens. This conference brought together a panel of leading participants from various sides, including Alan Rusbridger, Editor of *The Guardian*; Dave Hartnett, Permanent Secretary, Tax, HMRC; John Whiting, PwC; Vanessa Houlder, *Financial Times*; and the Centre's director of legal research, Professor Judith Freedman. The panel debated various issues surrounding tax planning and avoidance by multinational companies. Prior to the panel session, the Centre's director, Michael Devereux, presented recent research on the distribution of UK corporation tax payments across UK companies. Graham McDonald of the University of Kent discussed attempts to measure the 'tax gap'. This topical conference attracted a capacity audience from business and government.

WORKSHOP ON INTERNATIONAL TAXATION

22–26 June 2009, University of California, Berkeley

This workshop was jointly organised with the Robert D. Burch Center for Tax Policy and Public Finance at Berkeley. It sought to promote the integration of the relevant tools of economic analysis, and the results from the economics literature, into tax law research and instruction in the area of international taxation.

CONFERENCE ON DIVIDEND TAXATION

06 July 2009, Oxford

This one-day conference looked back at Professor Alan Auerbach's seminal paper on dividend taxation, published 30 years ago in 1979. Professor Auerbach joined an international group of academics to explore the impact of his original paper and the subsequent developments and new thinking in this area. Speakers also included Harry Grubert from the US Treasury, Professor Stephen Bond, a Centre programme director, and Professors Joel Slemrod from the University of Michigan and Mihir Desai from Harvard Business School.

SUMMER SYMPOSIUM

07–09 July 2009, Oxford

The Centre's third annual academic symposium was its most successful to date. It brought together fifty of the world's leading academics in the field of business taxation from Australia, Canada, Denmark, Italy, Germany, Netherlands, Switzerland, UK, and the US. Professors in law and economics were joined by members of the US Treasury and OECD to discuss a number of recent research contributions on a wide range of topics. These included empirical papers on the effects of taxation on corporate location, investment and finance; theoretical papers on the optimal structure of international taxation on profits; analyses of the US taxation of outbound investment; tax competition; and the role played by rules of accounting.

COMPETITION AND COHERENCE: NEW DIRECTIONS FOR INTERNATIONAL TAXATION?

10–11 July 2009, Oxford

This conference considered the directions in which a number of reforms and reviews are leading the international system of taxing corporate income. The conference drew together experts from around the world, with speakers from several countries as well as from the UK. The conference followed the Centre's tradition of bringing together representatives from business, government, the professions, and academia. It began with accounts of recent reforms in the USA (Dan Shaviro, New York University), Canada (David Duff, University of British Columbia), and Australia (Richard Vann, University of Sydney). It then considered reforms in the UK, with speakers from government (Edward Troup, HM Treasury, and Judith Knott, HMRC), business (Dhiren Shah, GlaxoSmithKline, and Chris Lenon, Rio Tinto Group), and the professions (Bill Dodwell, Deloitte). The second day covered issues in financing and thin capitalization (Ruud de Mooij, Erasmus University; Wolfgang Schön, Max Planck Institute; Ute Witt, Ernst and Young, Germany; and Steve Edge, Slaughter and May), and business restructuring and treaty shopping (John Neighbour, KPMG, and Geoffrey Loomer, Oxford). The conference ended with a panel discussion on the future direction for international taxation in the UK.

ACADEMIC SEMINARS

CBT SEMINAR SERIES

Clemens Fuest, CBT
Taxes and M&A Investment

Michael Walpole, University of New South Wales
An Australian Perspective on the Taxation of Goodwill

Alfons Weichenrieder, University of Frankfurt
Income Tax Evasion, the EU Savings Directive, and Capital Market Effects

Johannes Becker, CBT
The Nexus of Corporate Income Taxation and Multinational Activity

Simon Loretz, CBT
Who pays UK corporation tax? Estimating corporate tax payments with publicly available data

Ben Lockwood, University of Warwick and CBT
Corporate Taxation and Uncertainty

Tom Karkinsky and Nadine Riedel, CBT
Profit Shifting and Patent Ownership

Helen Simpson, University of Bristol
Potential research using ONS micro-data

Geoffrey Loomer, CBT
Corporate Relocations: An Overview of Key Legal Issues in the UK

Steve Bond, University of Oxford and CBT
An Overview of Recent Empirical Work on Uncertainty and Investment

Nadja Dwenger, DIW Berlin
Corporate taxation and investment – Explaining investment dynamics with firm-level panel data

Alfons Weichenrieder, University of Frankfurt
Evaluating Real World Income Distributions behind the Veil of Ignorance

Peter Egger, University of Munich
Going NUTS: The Effect of EU Structural Funds on Regional Performance

Tom Karkinsky (with N Riedel), CBT
Corporate Tax Effects on R&D and Patent Location: Evidence from EPO Patent Data

Thiess Buettner, University of Munich
(Public) Investment and Revenue Shocks: The Role of Capital Market Restrictions

JOINT ACADEMIC SEMINARS WITH LAW FACULTY

Michael Devereux, CBT
Economic Principles for Taxing Multinational Companies.

John Neighbour, KPMG
Transfer Pricing

Malcolm Gammie QC
The ECJ and Corporate Tax

NEW RESEARCH STAFF



Two new researchers were appointed during the year, to take up their positions in autumn 2009.

DEPARTURES

Johannes Becker and Geoffrey Loomer left the Centre in 2009 to take up academic positions at the Max Planck Institute for Intellectual Property, Competition and Tax Law, Munich, and Dalhousie University, Canada, respectively. Socrates Mokkalas also left the Centre, to join OFGEM.

DR JOHN VELLA Senior Research Fellow

John Vella was appointed as a Senior Research Fellow at the Centre, and continues as a member of the Faculty of Law at the University of Oxford. John first studied law at the University of Malta, obtaining a BA and an LL.D. He was admitted to the Maltese bar and practiced briefly. He then obtained an LLM and a PhD from the University of Cambridge. Following the completion of his PhD he joined the Faculty of Law at the University of Oxford as Norton Rose Career Development Fellow in Company Law where he taught Company Law, Corporate Finance Law, EC Law, and Roman Law. He has been a Program Affiliate Scholar at New York University, and has acted as a co-arbitrator in a tax dispute before the ICC International Court of Arbitration. His main research interests are in Corporate Taxation; Company Law; and Corporate Finance Law, particularly avoidance and the impact of tax on corporate behavior.

DR NICOLAS SERRANO-VERLANDE Research Fellow

Nicolas received his graduate education at Sciences Po Paris and the European University Institute. While studying for his PhD at the European University Institute he visited Toulouse School of Economics at the invitation by Professor Biais and Casamatta. His current research interests and activity focus on applied corporate finance topics, dealing with the way ownership structures impact firm performance, market structure, and innovation incentives.

NEW INTERNATIONAL RESEARCH FELLOWS

The Centre has created a network of leading international researchers in the field of business taxation. International Research Fellows are actively involved in the life and work of the Centre and make a valuable contribution to its dynamic research environment.

PROFESSOR KAI A KONRAD

Kai Konrad is a director of the Max Planck Institute for Intellectual Property, Competition and Tax Law, Munich. He studied at the University of Heidelberg and the University of Munich and has held research and teaching positions at the Universities of Munich, Bonn, Bergen, and the University of California at Irvine. He was Professor of Economics at the Free University of Berlin until 2009, and from 2001–2009 a director of the Social Science Research Centre Berlin (WZB). Konrad's main fields of research are in public economics, microeconomic theory, and political economy. He has published more than eighty papers in international journals. He is a co-editor of the *Journal of Public Economics*, a managing editor of *Economic Policy*, and a co-founding editor of *Economics of Governance*, and is on the editorial boards of several other international journals. He has served as an advisor to governments and is the Vice Chairman of the Council of Scientific Advisors to the German Ministry of Finance.

PROFESSOR DANIEL SHAVIRO

Daniel Shaviro is the Wayne Perry Professor of Taxation at New York University Law School where he teaches various tax courses, including a scholarly colloquium on tax policy and public finance. He is a graduate of Princeton University and Yale Law School and has previously taught at the University of Chicago Law School. Before entering law teaching, he spent three years in private practice at Caplin & Drysdale, a leading tax specialty firm, and three years as a Legislation Attorney at the Joint Congressional Committee on Taxation, where he worked extensively on the Tax Reform Act of 1986. Shaviro's scholarly work examines tax policy, budget policy, and entitlements issues. His publications include *Decoding the U.S. Corporate Tax* (Urban Institute Press; 2009); and *Taxes, Spending, and the U.S. Government's March Toward Bankruptcy* (Cambridge University Press; 2006).

PROFESSOR MICHAEL SMART

Michael Smart is Professor of Economics at the University of Toronto, and a specialist in the economic analysis of government policy. He has published widely in academic and policy journals on such subjects as tax policy design, tax competition among governments, fiscal federalism, and the politics of taxation and government spending. Professor Smart was a Senior Adviser in the Canadian Department of Finance in 2008–09 and has served as a consultant to several governments and international agencies. He is currently a co-editor of the *Canadian Journal of Economics*, and serves on the editorial boards of the *Journal of Public Economics and International Tax and Public Finance*. Professor Smart received a PhD from Stanford University in 1995.

DR MICHAEL WALPOLE

Michael Walpole is an Associate Professor of Taxation in the Australian School of Taxation (ATAX) at the University of New South Wales, and Associate Dean in the Faculty of Law. He specialises in tax law and administration; taxation of trusts; goods and services tax; income tax; taxation of intangible property (especially goodwill); tax policy; and tax reform. Dr Walpole has consulted to the Australian Taxation Office, the Revenue offices of the Northern Territory and of Tasmania, and the Australian Tax Agents' Registration Board. He has experience as a partner in a law firm, and as a consultant with Ernst & Young. He is a Fellow of the Taxation Institute of Australia, serving on the education committee in its NSW division, and he is on the Tax Specialist accreditation panel of the Law Society of New South Wales.

VISITORS 2008–09

Visiting researchers from Australia, Germany, the UK, and US, have brought additional expertise to the Centre and have themselves benefited from seminars and informal discussions, often leading to new joint work with Centre staff.

Professor Alan Auerbach (October 2008)

Alan J Auerbach is the Robert D. Burch Professor of Economics and Law, Director of the Burch Center for Tax Policy and Public Finance, and former Chair of the Economics Department at the University of California, Berkeley. He is a Research Associate of the National Bureau of Economic Research. Professor Auerbach was Deputy Chief of Staff of the U.S. Joint Committee on Taxation in 1992 and has been a consultant to several government agencies and institutions in the United States and abroad. He is a former Vice President of the American Economic Association, and is Editor of its *American Economic Journal: Economic Policy*. Professor Auerbach is a Fellow of the Econometric Society and of the American Academy of Arts and Sciences.

Professor Thiess Buettner

(April–July 2009)

Thiess Buettner is Professor of Economics at the University of Munich and Head of the Department of Public Finance at the IFO Institute for Economic Research, Munich. He completed his Habilitation at the University of Mannheim in 2003 and his PhD from the University of Constance in 1997. His research has ranged widely to include various aspects of taxation and the behaviour of multinationals and analyses of the impact of economic integration on labour markets.

Professor Robert S Chirinko

(December 2008)

Robert Chirinko is Professor of Finance (Money and banking) at the University of Illinois at Chicago. His research examines business behaviour with a focus on financial markets, capital formation, corporate governance and finance, and tax policy. Many of his research projects rely on non-US data, most have policy implications, and virtually all have a substantial empirical component. He has received the Outstanding Doctoral Dissertation Award from the National Tax Association, the James L. Barr Memorial Award in Public Economics, and the Vernon Award from the Association for Public Policy Analysis and Management. In autumn 2006, he was a Houblon-Norman/George Senior Fellow at the Bank of England.

Professor Ronald B Davies (March 2009)

Ronald Davies is Professor of Economics at University College, Dublin. He received his PhD in Economics from Pennsylvania State University in 1999. Professor Davies is a co-editor of the Policy Watch section of *International Tax and Public Finance* and sits on the editorial board of *North American Journal of Economics and Finance* and *Journal of International Business Studies*. His primary research focus is on foreign direct investment, both theoretically and empirically. He has a particular interest in international taxation and tax competition for multinationals. This work has been published in several of the top economics journals including *American Economic Review*, *International Economic Review*, and *European Economic Review*.

Partho Shome, Chief Economist at HMRC



Professor James Hines, University of Michigan

**Professor Peter Egger** (March–July 2009)

Peter Egger was Professor of Economics at the University of Munich and Head of the Department of Environment, Regions, Transportation at the IFO Institute for Economic Research, Munich, until August 2009 when he was appointed Professor of Applied Economics at the Swiss Federal Institute of Technology (ETH), Zurich. The main focus of his research is international trade and multinational firms; regional economics; panel econometrics; and spatial econometrics. He was a visitor to the Centre in October and November 2007 when he worked with Simon Loretz and Hannes Winner on a model of taxation and foreign direct investment, and measurement of firm-specific tax rates.

Professor James Hines (December 2008)

James Hines teaches at the University of Michigan, where he is the Richard A. Musgrave Collegiate Professor of Economics in the department of economics and Professor of Law in the law school. He also serves as Research Director of the business school's Office of Tax Policy Research. His research concerns various aspects of taxation. He holds a BA and MA from Yale University and a PhD from Harvard, all in economics. He is a research associate of the National Bureau of Economic Research; research director of the International Tax Policy Forum; co-editor of the American Economic Association's *Journal of Economic Perspectives*; and once, long ago, was an economist in the United States Department of Commerce.

Dr Partho Shome

Partho Shome has been Chief Economist at HMRC since 2008. Prior to his appointment, Partho worked in India, as adviser to the Indian Finance Minister, where he was a proponent of tax reform, and as Director of the National Institute of Public Finance and Policy in New Delhi. Partho has also previously worked at the IMF. He made a number of short visits to the Centre over the course of the year.

Dr Michael Walpole (September 2008–December 2008)

Dr Michael Walpole is Associate Professor of Taxation in the Australian School of Taxation (Atax) at the University of New South Wales. Following his visit, Dr Walpole was appointed an International Research Fellow of the Centre and details of his research interests can be found elsewhere in this report.

Professor Alfons Weichenrieder

(September 2008–August 2009)

Alfons Weichenrieder is Professor and Chair of Public Finance at the University of Frankfurt. He completed his Habilitation at the University of Munich in 2001, and was a professor at the University of Vienna from 2001 to 2002 before moving to Frankfurt. He is co-editor of *FinanzArchiv*. His research is on the behaviour of multinationals, especially aspects of financial and profit-shifting behaviour, and he has published widely.

EXTERNAL PUBLICATIONS

1 AUGUST 2008–31 JULY 2009

BOOKS

de la Feria, R 2009, *The EU VAT system and the internal market*, IBFD, Amsterdam.

BOOK CHAPTERS

De Mooij, R & Keen, M 2008, 'Tax policy and subsidiarity in the European Union', in G Gelauff, I Grilo and A Lejour (eds.), *Subsidiarity and economic reform in Europe*, Springer.

Devereux, MP & Loretz, S 2008, 'Evidence of tax competition: A review' in M Aujean and C Saint-Étienne (eds.), *Stratégies fiscales des états et des entreprises: Souveraineté et concurrence*, Presses Universitaires de France, Descartes & Cie, Paris.

Freedman, J 2009, 'Reforming the business tax system: does size matter? Fundamental Issues in small business taxation' in C Evans and R Krever (eds), *Australian business tax reform in retrospect and prospect*, Thomson Reuters, Australia.

JOURNAL ARTICLES

de la Feria, R 2009, 'The EU VAT treatment of public sector bodies: slowly moving in the wrong direction', *Intertax* 37(3), 148–165.

de la Feria, R 2009, 'Evolução do conceito de abuso do direito no âmbito do direito fiscal comunitário', *Revista Fórum de Direito Tributário* 40, 29–51.

de la Feria, R 2008, '*HMRC v Weald Leasing Ltd*. Not only artificial: The abuse of law test in VAT', *British Tax Review* 5, 556–563.

De Mooij, R & Nicodeme, G 2008, 'Corporate tax policy and incorporation in the EU', *International Tax and Public Finance* 15 (4), 478–498.

Devereux, MP & Fuest, C 2009, 'Is the corporation tax an effective automatic stabilizer?', *National Tax Journal* LXII, 429–437.

Devereux, MP 2008, 'Business taxation in a globalized world', *Oxford Review of Economic Policy* 24 (4), 625–638.

Devereux, MP 2008, 'Taxation of outbound direct investment: economic principles and tax policy considerations.' *Oxford Review of Economic Policy* 24 (4), 698–719; reprinted in Head, J & Krever, R (eds) 2009, *Tax reform in the 21st century*, Kluwer.

Freedman, J, Loomer, G & Vella, J 2009, 'Corporate tax risk and tax avoidance: new approaches', *British Tax Review*, 74–116.

Fuest, C 2009, 'Beyond eurosclerosis: discussion', *Economic Policy* 59, 445–447.

Fuest, C 2009, 'Household debt repayment behaviour: What role do institutions play?', *Economic Policy Discussion* 57, 133–136.

Fuest, C 2008, 'The European Commission's proposal for a common consolidated corporate tax base', *Oxford Review of Economic Policy* 24 (4), 720–739.

Fuest, C, Peichl, A & Schaefer, T 2008, 'Is a flat tax reform feasible in a grown-up democracy of Western Europe? A simulation study for Germany', *International Tax and Public Finance* 15, 620–636.

Lockwood, B & Migali, G 2009, 'Did the single market cause competition in excise taxes? Evidence From EU countries', *The Economic Journal*, 119, 536, 406–429.

Loretz, S 2008, 'Corporate taxation in the OECD in a wider context', *Oxford Review of Economic Policy* 24 (4), 639–660.

Voget, J & Huizinga, H 2009, 'International taxation and the direction and volume of cross-border M&As', *Journal of Finance*, 64, 3, 1217–1249.

REPORTS

Devereux, MP, Elschner, C, Endres, D, Jost, Heckemeyer, H, Overesch, M, Schreiber, U & Spengel, C, *Effective tax rates on investment in the EU, 1998–2007*, Brussels: European Commission (September 2008), from http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/economic_studies/effective_levels_report.pdf.

Devereux, MP & de Mooij, R, *Alternative Systems of Business Taxation in Europe: an applied analysis of ACE and CBIT reforms*, Brussels: European Commission Taxation Paper 17 (June, 2009), from http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_17_en.pdf.

POLICY ARTICLES

Devereux, MP & Freedman, J, 'The system must change', *The Guardian*, 09 February 2009.

de la Feria, R 2009, 'Loyalty Management UK Limited. Reference for a Preliminary Ruling in a UK case regarding a Customer Loyalty Rewards Scheme. House of Lords', *Highlights & Insights on European Taxation* 7, 67–70.

de la Feria, R 2009, 'Weald Leasing. Reference for a preliminary ruling in a UK case regarding the application of the abuse of law test to leasing structures. Court of Appeal', *Highlights & Insights on European Taxation* 7, 61–64.

de la Feria, R 2009, 'EMI Group Ltd. Sample within the meaning of art. 16 VAT Directive', *Highlights & Insights on European Taxation* 5, 85–87.

de la Feria, R 2009, 'Proposal for a Council Directive amending Directive 2006/112/EC as regards the rules on invoicing', *Highlights & Insights on European Taxation* 4, 137–151.

Freedman, J 2009, 'A GANTIP. Was it really such a bad idea?', *The Tax Journal*, 13 April 2009.

Fuest, C, 'The UK Should Increase VAT', *The Tax Journal*, 15 June 2009.

Loomer, G & Maffini G, 'Tax Havens and the Financial Crisis'.

EXTERNAL PRESENTATIONS

AUGUST 2008

Riedel, N, European Meeting of the Econometric Society, Milan.

Riedel, N, Congress of the European Economic Association, Milan.

Riedel, N, Congress of the International Institute of Public Finance, Maastricht.

Voget, J, Congress of the International Institute of Public Finance, Maastricht.

SEPTEMBER 2008

de la Feria, R, SLS Annual Conference, London School of Economics, London.

de la Feria, R, TRN Annual Conference, National University of Ireland, Galway.

Freedman, J, Political Theory and Tax Conference, University College, London, Centre for Philosophy, Justice and Health.

Freedman, J, Tax Research Network Annual Conference, National University of Ireland, Galway.

Freedman, J, Society of Legal Scholars Annual Conference, LSE, London.

OCTOBER 2008

de la Feria, R, Tax Seminar, HM Treasury, London.

Devereux, MP, CBI Tax Conference, London.

Devereux, MP, European Tax Policy Forum (ETPF) meeting, Dublin.

Devereux, MP, Saïd Business School, Oxford.

De Mooij, R, European Commission.

Freedman, J, CBI Tax Conference, London.

Fuest, C, Association of German Banks, Berlin.

Fuest, C, Conference on ECJ Legislation and Taxation in Europe, Federal Ministry of Finance, Berlin.

Voget, J, Zeuthen Workshop on Public Economics, University of Copenhagen.

NOVEMBER 2008

de la Feria, R, Tax Law Seminar, University of Connecticut.

Fuest, C, Conference on Tax Policy in Europe, Wissenschaftszentrum, Berlin.

Loretz, S, Annual Conference, National Tax Association, Philadelphia.

DECEMBER 2008

Devereux, MP, Oxcarre Conference, Oxford.

Fuest, C, Conference on International Taxation, Hamburg.

JANUARY 2009

Devereux, MP, Tilburg University, Netherlands.

Becker, J, Research Seminar, University of Dortmund.

Fuest, C, Workshop on Taxes and the Financial and Legal Structure of Firms, Vienna.

Loretz, S, Workshop on Taxes and the Financial and Legal Structure of Firms, Vienna.

Riedel, N, Workshop on Taxes and the Financial and Legal Structure of Firms, Vienna.

FEBRUARY 2009

Devereux, MP, European Economic Advisory Group (EEAG) conference, London.

Freedman, J, Taxation Law and Policy Research Institute, Monash University.

MARCH 2009

de la Feria, R, Conference, University of Vienna.

De Mooij, R, Conference, University of Vienna.

Devereux, MP, ETPF meeting, Brussels.

Devereux, MP, Taught course, HM Treasury and HMRC.

Devereux, MP, Brussels Tax Forum, European Commission.

Fuest, C, Walter Raymond Foundation, Kolloquium, Berlin.

Riedel, N, CESifo Conference in Applied Micro Economics, Munich.

Riedel, N, Seminar, University of Tilburg.

Voget, J, Seminar, Mannheim University.

APRIL 2009

de la Feria, R & Lockwood, B, ETPF Conference, London.

de la Feria, R, Seminar, Faculty of Law, New University of Lisbon.

Devereux, MP, European Commission.

Devereux, MP, CESifo conference, Munich.

Devereux, MP, ETPF Conference, London.

De Mooij, R, European Commission.

De Mooij, R, ETPF Conference, London.

Fuest, C, Conference on the Role of Firms in Tax Systems, Ann Arbor, Michigan.

Loretz, S, ETPF Conference, London.

Riedel, N, CESifo Public Sector Conference, Munich.

Riedel, N, Conference of the Royal Economic Society, Surrey.

Voget, J, Conference on the Role of Firms in Tax Systems, Ann Arbor, Michigan.

MAY 2009

Devereux, MP, Christian Aid event, Oxford.

Devereux, MP, National Tax Association conference, Washington DC.

Freedman, J, ESRC Workshop, Taxation: A New Agenda for CSR and Development, University of East Anglia.

Fuest, C, Research Seminar, Institute for the Future of Labour, Bonn.

Fuest, C, CESifo Conference on Employment and Social Protection, Munich.

JUNE 2009

Becker, J, Research Seminar, DIW, Berlin.

Fuest, C, Berliner Steuergespäche, Berlin.

Loretz, S, Annual Meeting of the Austrian Economic Association, Linz.

Riedel, N, IEB Workshop on Fiscal Federalism, Barcelona.

JULY 2009

de la Feria, R, GREIT Lisbon Summer Course, University of Lisbon.

Freedman, J, IRS Research Conference, Georgetown University School of Law, Washington.

Fuest, C, taught course on Corporate Taxation, IEB Summer School, Barcelona.

Loretz, S, III Workshop on Fiscal Federalism, Insitut d'Economia de Barcelona, Barcelona.

WORKING PAPERS

Copies of all working papers are available from
www.sbs.ox.ac.uk/centres/tax/papers.

WP08/13 CORPORATE TAXATION AND THE WELFARE STATE

Christian Keuschnigg

WP08/14 ALTERNATIVE APPROACHES TO TAX RISK AND TAX AVOIDANCE: ANALYSIS OF A FACE-TO-FACE CORPORATE SURVEY

Judith Freedman, Geoffrey Loomer, and John Vella

WP08/15 FIRMS' FINANCIAL CHOICES AND THIN CAPITALIZATION RULES UNDER CORPORATE TAX COMPETITION

Andreas Haufler and Marco Runkel

WP08/16 CROSS-BORDER TAX EFFECTS ON AFFILIATE INVESTMENT – EVIDENCE FROM EUROPEAN MULTINATIONALS

Johannes Becker and Nadine Riedel

WP08/17 TRANSFER-PRICING AND MEASURED PRODUCTIVITY OF MULTINATIONAL FIRMS

Giorgia Maffini and Socrates Mokkas

WP08/18 OPTIONS FOR TAXING FINANCIAL SUPPLIES IN VALUE ADDED TAX: EU VAT AND AUSTRALIAN GST MODELS COMPARED

Rita de la Feria and Michael Walpole

WP08/19 CORPORATE INCOME TAXATION IN CANADA

George R Zodrow

WP08/20 WHAT PROBLEMS AND OPPORTUNITIES ARE CREATED BY TAX HAVENS?

Dharmika Dharmapala

WP08/21 CORPORATE TAXATION IN THE OECD IN A WIDER CONTEXT

Simon Loretz

WP08/22 CORPORATE TAX ELASTICITIES: A READER'S GUIDE TO EMPIRICAL FINDINGS

Ruud A de Mooij and Sjef Ederveen

WP08/23 THE EUROPEAN COMMISSION'S PROPOSAL FOR A COMMON CONSOLIDATED CORPORATE TAX BASE

Clemens Fuest

WP08/24 TAXATION OF OUTBOUND DIRECT INVESTMENT: ECONOMIC PRINCIPLES AND TAX POLICY CONSIDERATIONS

Michael P Devereux

WP08/25 INTERNATIONAL TAXATION AND MULTINATIONAL FIRM LOCATION DECISIONS

Salvador Barrios, Harry Huizinga, Luc Laeven, and Gaëtan Nicodème

WP08/26 INTERNATIONAL TAXATION AND TAKEOVER PREMIUMS IN CROSS-BORDER M&AS

Harry Huizinga, Johannes Voget, and Wolf Wagner

WP08/27 STRATEGIC CONSOLIDATION UNDER FORMULA APPORTIONMENT

Thiess Buettner, Nadine Riedel, and Marco Runkel

WP08/28 TAXES, INSTITUTIONS AND FOREIGN DIVERSIFICATION OPPORTUNITIES

Mihir A Desai and Dharmika Dharmapala

WP08/29 CAPITAL STRUCTURE, CORPORATE TAXATION AND FIRM AGE

Michael Pfaffermayr, Matthias Stöckl, and Hannes Winner

WP08/30 TAX COMPETITION IN AN EXPANDING EUROPEAN UNION

Ronald B Davies and Johannes Voget

**WP09/01 FORMULA APPORTIONMENT:
IS IT BETTER THAN THE CURRENT
SYSTEM AND ARE THERE BETTER
ALTERNATIVES?**

Rosanne Altshuler and Harry Grubert

**WP09/02 EU REGIONAL POLICY AND
TAX COMPETITION**

Johannes Becker and Clemens Fuest

**WP09/03 INVESTMENT ABROAD AND
ADJUSTMENT AT HOME: EVIDENCE
FROM UK MULTINATIONAL FIRMS**

Helen Simpson

**09/04 CORPORATE TAXATION AND
MULTINATIONAL ACTIVITY**

Peter Egger, Simon Loretz, Michael
Pfaffermayr, and Hannes Winner

**WP09/05 TAX TREATY ABUSE: IS
CANADA RESPONDING EFFECTIVELY?**

Geoffrey Loomer

**WP09/06 PLACE WHERE THE SUPPLY/
ACTIVITY IS EFFECTIVELY CARRIED
OUT AS AN ALLOCATION RULE: VAT VS.
DIRECT TAXATION**

Rita de la Feria

**WP09/07 OPTIMAL TAX POLICY WHEN
FIRMS ARE INTERNATIONALLY MOBILE**

Johannes Becker and Clemens Fuest

**WP09/08 INCORPORATION AND
TAXATION: THEORY AND FIRM-LEVEL
EVIDENCE**

Peter Egger, Christian Keuschnigg,
and Hannes Winner

**WP09/09 OPTING FOR OPTING-IN? AN
EVALUATION OF THE COMMISSION'S
PROPOSALS FOR REFORMING VAT FOR
FINANCIAL SERVICES**

Rita de la Feria and Ben Lockwood

**WP09/10 THE DISTORTING ARM'S
LENGTH PRINCIPLE**

Michael P Devereux and Christian
Keuschnigg

MEDIA COVERAGE

The Centre has been cited in the press 112 times in the year 01 August 2008–31 July 2009. This is a considerable increase from previous years, more than doubling last year's coverage, and demonstrates the Centre's increasingly high profile. Coverage was across radio, television, internet, and the print media, and international in scope. Some of the media publications in which the Centre has been cited are listed opposite.

ABC Lateline Business

Accountancy Age

ARD Bericht aus Berlin

BBC Radio 4 Today

BBC Radio 5 Breakfast

BusinessWeek

Der Spiegel

Financial Times

Financial Times Deutschland

Frankfurter Allgemeine Zeitung

Handelsblatt

New York Review of Books

Radio Deutschlandfunk

reuters.com

The Guardian

The Peninsula Qatar

The Times

The Tax Journal

The Wall Street Journal

Times Higher Education Supplement

Tolley's Practical Tax Newsletter

Yomiuri Shimbun

ZDF Heutejournal (TV)



Alan Rusbridger, Editor of The Guardian, speaking at the Centre's conference on avoidance

GOVERNANCE

The Centre is guided and directed by an external advisory board and a steering committee of the Saïd Business School.

STEERING COMMITTEE 2008–09

Professor Stephen Bond
Economics Department

Professor Michael Devereux
Centre for Business Taxation

Professor Judith Freedman
Law Faculty

Professor Colin Mayer
Saïd Business School

Professor Iain McLean
Politics Department

Professor Peter Neary
Economics Department

Professor Thomas Powell (Chair)
Saïd Business School

Professor David Rueda
Politics Department

Mr Edwin Simpson
Law Faculty

Dr Dimitrios Tsomocos
Saïd Business School

ADVISORY BOARD 2008–09

Mr Ashley Almanza
BG Group

Professor Michael Devereux
Centre for Business Taxation

Professor Judith Freedman
Oxford University

Mr Dave Hartnett
HM Revenue & Customs

Mr Julian Heslop
GlaxoSmithKline

Professor Michael Lang
Vienna University of Economics

Professor Colin Mayer
Oxford University

Sir Derek Morris (Chair)
Oriel College, Oxford

Mr Mark Neale
HM Treasury

Professor Joel Slemrod
University of Michigan

Mr Jon Symonds
Goldman Sachs International

Professor David Ulph
University of St Andrews

Dr Chris Wales
Lucida



Dave Hartnett, Permanent Secretary, HMRC, and member of the Centre's Advisory Board, speaking at the June conference on tax avoidance

RESEARCH STAFF 2008–09

DIRECTOR

Professor Michael P Devereux

Michael Devereux is Director of the Oxford University Centre for Business Taxation, Professor of Business Taxation, and Professorial Fellow at Oriel College, Oxford. He is Research Director of the European Tax Policy Forum, and Research Fellow of the Institute for Fiscal Studies, the Centre for Economic Policy Research, and CESifo. He is Vice President of the International Institute for Public Finance, Editor-in-Chief of *International Tax and Public Finance*, and Assistant Editor of the *British Tax Review*. Professor Devereux is a member of the Business-Government Forum on Tax and Globalisation, chaired by the Financial Secretary to the Treasury.

RESEARCH DIRECTOR

Professor Clemens Fuest

Clemens Fuest is Research Director of the Oxford University Centre for Business Taxation and Professor of Business Taxation, University of Oxford. He is a research fellow of CESifo and IZA, and Advisory Editor of the *Canadian Journal of Economics*. He is currently chairman of the Academic Advisory Board of the German Federal Ministry of Finance and member of the Academic Advisory Board of Ernst and Young AG, Germany. He has a PhD in economics from the University of Cologne. Prior to Oxford, he was a lecturer at the University of Munich and a professor of economics at the University of Cologne.

DIRECTOR OF LEGAL RESEARCH

Professor Judith Freedman

Judith Freedman is Director of Legal Research of the Oxford University Centre for Business Taxation, KPMG Professor of Taxation Law, University of Oxford, and fellow of Worcester College, Oxford. She is a member of HMRC's Panel of International Academic Tax Expertise on Business, and a member of the Tax Law Review Committee of the Institute for Fiscal Studies (IFS), as well as being on the Executive Committee of the IFS. She is joint editor of the *British Tax Review* and a member of the editorial boards of several other tax journals.

PROGRAMME DIRECTORS

Professor Wiji Arulampalam

Wiji Arulampalam is Professor of Economics at the University of Warwick. She is a Research Fellow at IZA, Institute for the Study of Labor, Bonn, Germany.

Professor Stephen Bond

Stephen Bond is Senior Research Fellow at Nuffield College and a Visiting Research Fellow in the Department of Economics, University of Oxford, and a Research Fellow of the Institute of Fiscal Studies.

Professor Ruud A de Mooij

Ruud de Mooij is Professor of Public Economics at Erasmus University, Rotterdam, and head of sector labour market and welfare state at CPB Netherlands Bureau for Economic Policy Analysis. He is a research fellow of the Tinbergen Institute, Netspar and CESifo, and is currently Policy Watch editor of *International Tax and Public Finance*.

Professor Ben Lockwood

Ben Lockwood is Professor of Economics at the University of Warwick. He is a Research Fellow of CEPR and CESifo, and a member of the editorial boards of *Finanzarchiv*, *International Tax and Public Finance*, and the *Journal of Macroeconomics*.

Professor David Ulph

David Ulph is Professor of Economics and Head of the School of Economics and Finance at the University of St Andrews. From 2001–2006 he was Director of Analysis and Research at the Inland Revenue.

SENIOR RESEARCH FELLOW

Dr Rita de la Feria

Rita de la Feria has a PhD in law (EU VAT harmonisation) from the University of Dublin, Trinity College. She is editor of *A Handbook of EU VAT Legislation*, member of the editorial board of the *British Tax Review*, and correspondent for *Highlights & Insights on European Taxation* and *Revista de Finanças Públicas e Direito Fiscal*. She was previously a lecturer in tax law at the Trinity College, Dublin, and in EU law at Queen's University Belfast.

RESEARCH FELLOWS

Dr Johannes Becker

Johannes Becker holds a PhD in economics from the University of Cologne. With Nadine Riedel, he won the Young Economists Award at the International Institute for Public Finance 2008 conference. His current research interests comprise efficiency aspects and welfare implications of corporate taxation, and the role of multinational firms in international tax competition.

Professor Judith Freedman

**Mr Geoffrey Loomer**

Geoffrey Loomer is a former practising lawyer now pursuing a DPhil in tax law at the University of Oxford. Before being appointed as a Research Fellow, he held a Centre for Business Taxation Studentship, and was also a Clarendon Scholar. His research interests involve the intersection of tax law, corporate law, and public law.

Dr Simon Loretz

Simon Loretz holds a PhD in economics from the University of Innsbruck. His research interests include European tax harmonisation, international tax competition, and the impact of taxation on firm behaviour, taking into account firm heterogeneity.

Giorgia Maffini

Giorgia Maffini is currently completing a PhD in economics at the University of Warwick. Her research interests include the welfare effects of corporate income tax, productivity differentials between domestic and multinational companies and the effects of tax havens operations in multinational groups.

Socrates Mokkas

Socrates Mokkas is currently completing a PhD in economics at the University of Oxford. His research interests focus on the profitability, productivity and the capital structure of multinational firms and how these are affected by taxation.

Dr Nadine Riedel

Nadine Riedel holds a PhD in economics from the University of Munich on the subject of Corporate Taxation and Multinational Firms. In 2008 she won the Young Economist Award of the Austrian Economic Association, the Young Economist Award of the International Institute of Public Finance, and the Dissertation Prize of the University of Munich. Her current research interests include international tax competition and the empirical assessment of corporate tax effects on firm behaviour.

Dr Johannes Voget

Johannes Voget holds a PhD in economics from Tilburg University on the subject of 'Tax Competition and Tax Evasion in a Multi-jurisdictional World'. In 2009 he won the Young Economist Award of the International Institute of Public Finance. His research interests include tax effects on mergers and acquisitions, and the location of multinationals' headquarters.

RESEARCH STUDENTS**Tom Karkinsky**

Tom is studying for a DPhil in Management at the Saïd Business School and is the recipient of an ESRC studentship linked to the Centre's large grant.

INTERNATIONAL RESEARCH FELLOWS

International Research Fellows and other participants attending the annual academic symposium



Professor Rosanne Altshuler
Rutgers University

Mr Julian Alworth
European and Global Investments, Dublin

Professor Alan Auerbach
University of California, Berkeley

Professor Reuven Avi-Yonah
University of Michigan

Mr Philip Baker
Grays Inn Tax Chambers

Professor Peter Birch Sørensen
University of Copenhagen

Professor Søren Bo Nielsen
University of Copenhagen

Professor Thiess Buettner
University of Munich

Professor Ronald B Davies
University of Dublin

Professor Ruud de Mooij
Erasmus University, Rotterdam

Professor Mihir Desai
Harvard Business School

Professor Dhammika Dharmapala
University of Connecticut

Professor David Duff
University of Toronto

Professor Peter Egger
University of Munich

Professor Chris Evans
University of New South Wales

Mr Paul Farmer
Dorsey & Whitney

Professor Malcolm Gammie
One Essex Court

Professor Roger Gordon
University of California, San Diego

Dr Harry Grubert
US Treasury

Professor Daniel Gutman
University Paris-1 Pantheon-Sorbonne

Professor Andreas Haufler
University of Munich

Professor James Hines
University of Michigan

Professor Harry Huizinga
Tilburg University

Professor Eckhard Janeba
University of Mannheim

Professor Christian Keuschnigg
University of St Gallen

Professor Kai Konrad
Max Planck Institute for Intellectual
Property, Competition and Tax Law

Professor Rick Krever
Monash University

Professor Michael Lang
Vienna University of Economics and
Business Administration

Professor Ben Lockwood
University of Warwick

Professor Jack Mintz
University of Calgary

Professor Michael Pfaffermayr
University of Innsbruck

Professor Jim Poterba
MIT

Professor Guttorm Schjelderup
University of Bergen

Professor Wolfgang Schön
Max Planck Institute

Professor Douglas A Shackelford
University of North Carolina

Professor Daniel Shaviro
New York University

Professor Hans-Werner Sinn
Ifo Institute for Economic Research

Professor Joel Slemrod
University of Michigan

Professor Michael Smart
University of Toronto

Professor Christoph Spengel
ZEW, University of Mannheim

Professor Miranda Stewart
University of Melbourne

Professor John Tiley
University of Cambridge

Professor Richard Vann
University of Sydney

Dr Michael Walpole
University of New South Wales

Professor Alfons Weichenrieder
University of Frankfurt

Professor David Weisbach
University of Chicago

Professor David Wildasin
University of Kentucky

Professor Jay Wilson
Michigan State University

Professor Hannes Winner
University of Innsbruck

Professor George Zodrow
Rice University

FINANCIAL SUPPORT

The Centre receives financial support from a number of sources.

ECONOMIC AND SOCIAL RESEARCH COUNCIL

The Centre gratefully acknowledges the significant funding it receives from the Economic and Social Research Council (ESRC) through the large grant: 'Business, Taxation and Welfare' Ref: RES-060-25-0033

DONATIONS FROM COMPANIES

The Centre for Business Taxation was founded using generous funding from companies from the Hundred Group. Subsequently, other companies have also offered us their support. The Centre is grateful for this financial support, which continues and which is vital to support the work of the Centre. Companies which have made donations to the University in support of the Centre in 2008–09 are listed opposite.

PROJECT SPECIFIC FUNDING

The Centre accepts commissions to carry out independent academic research from government and non-governmental organisations. It does not and will not accept commissions from any organisation where the independence of the Centre might be compromised or where a potential conflict of interest might arise. In the past year, the Centre has carried out research funded by the following organisations:

European Commission

UK Department for International Development

DONATIONS FROM COMPANIES

3i Group

Anglo American

AstraZeneca

Aviva

BG Group

BAE Systems

Barclays

British American Tobacco

BP

Bradford & Bingley

Cadbury Schweppes

British Sky Broadcasting

BT Group

ExxonMobil International

Daily Mail and General Trust

Diageo

GlaxoSmithKline

GUS

GKN

Hanson

HSBC Holdings

Hammerson

Imperial Tobacco Group

International Power

Imperial Chemical Industries

Kingfisher

Land Securities Group

J Sainsbury

Lloyd's

Lloyds TSB Group

Legal and General Group

Old Mutual

Lloyds TSB Group

National Grid Transco

Prudential

Reed Elsevier Group

Pearson

Rolls-Royce

Royal & Sun Alliance Insurance Group

Rio Tinto

SABMiller

Scottish & Newcastle

Royal Dutch Shell

Shire Pharmaceuticals Group

Smith & Nephew

Scottish Power

Standard Chartered Bank

Tate & Lyle

Smiths Group

Tesco

The British Land Company

Telefonica O2 Europe

Tomkins

Unilever

United Utilities

Vodafone Group

WPP Group



OXFORD UNIVERSITY
**CENTRE FOR
BUSINESS TAXATION**

**Oxford University Centre for
Business Taxation**

Saïd Business School
Park End Street
Oxford OX1 1HP
United Kingdom

T: +44 (0)1865 288904
F: +44 (0)1865 288805

www.sbs.ox.ac.uk/centres/tax/

