

# International tax planning and optimal policies

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## Outline

The topic of these lectures is the design of tax systems in the presence of firms and households engaging in international tax planning. The first lecture presents theoretical work on tax policies in the presence of tax havens: Are tax havens good or bad? If tax havens are bad, why are they allowed to integrate with the rest of the world economy? The second lecture presents empirical work on the recent policy initiatives against tax havens launched by the EU and the G20: To what extent have the initiatives succeeded in reducing household wealth invested in tax havens? The third lecture presents theoretical work on the role of capital structure in the tax planning of multinational firms: What is the scope for hybrid instruments in tax planning? And what are the implications for line drawing between debt and equity?

## Readings

### **Lecture 1: corporate tax avoidance using tax havens**

Hines, J.R., 2010, Treasure Islands, *Journal of Economic Perspectives* 24(4), 103–126.

Hong, Q. and Smart, M., 2010. In praise of Tax Havens: International Tax Planning and Foreign Direct Investment. *European Economic Review* 54(1), 82-95.

- \* Johannesen, N., 2010. Imperfect Tax Competition for Profits, Asymmetric Equilibria and Beneficial Tax Havens". *Journal of International Economics* 81, 253-264.
- \* Johannesen, N., forthcoming. Optimal Fiscal Barriers to International Economic Integration in the Presence of Tax Havens. *Journal of Public Economics*.(\*)

Slemrod, J., Wilson, J.D., 2009. Tax Competition with Parasitic Tax Havens. *Journal of Public Economics* 93(11-12), 1261-1270.

### **Lecture 2: household tax evasion using tax havens**

Elsayyad, M., Konrad, K., forthcoming. Fighting multiple tax havens. *Journal of International Economics*

- \* Johannesen, N., 2011. Tax evasion and Swiss Bank Deposits, working paper.
- \* Johannesen, N., Zucman, G., 2012. The End of Banking Secrecy? An Evaluation of the G20 Tax Haven Crackdown, working paper.

Zucman, G., 2011. The Missing Wealth of Nations: Are Europe and the U.S. net Debtors or net Creditors?, working paper.

### **Lecture 3: corporate tax avoidance using hybrid financial instruments**

Desai, M., Foley, F. and Hines, J., 2004. A Multinational Perspective on Capital Structure Choice and Internal Capital Markets. *Journal of Finance* 59(6), 2451-2487.

- \* Johannesen, N., 2011. Cross-border hybrid financial instruments, working paper.
- \* Johannesen, N., 2011. Strategic Line Drawing between Debt and Equity, working paper.

Rosenbloom, H., 1999. The David R. Tillinghast Lecture: International Tax Arbitrage and the International Tax System. *Tax Law Review*, 137-166.

The lectures focus on the material marked with a star. Unmarked material constitutes useful background reading.

All unpublished papers are available from my website: <http://www.econ.ku.dk/nielsjohannesen>