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TAX FACTORS OF FOREIGN DIRECT INVESTMENTS FROM THE USA TO THE EU

Abstract:

The main aim of the paper is to analyze which factors have an impact on the allocation of US FDIs in the EU countries. We use multivariable regression and OECD and Eurostat data, including also indicators of tax systems promoting and/or enabling the structures of aggressive tax planning. The results suggest that US FDIs are more widely placed in large and developed countries. Based on the analysis of the tax factors, the allocation of US FDIs in the EU are influenced by the effective corporate tax rate and the existence of the patent box regime or other preferential tax treatment of income from IP rights. Our control model of the relationship between the indicators of the tax system and the effective corporate tax rate shows that the effective corporate tax rate is influenced by the statutory corporate tax rate and three aggressive tax planning indicators other than the preferential tax treatment of income from IP rights.

Keywords:

FDI, Base Erosion, Profit Shifting, Tax Factors, Aggressive Tax Planning

JEL Classification: H25