



EU evidence on profit shifting

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Abstract: The present work deals with the EU variation in profit shifting. For this, we built on existing models on the estimation of profit shifting and use nonparametric estimation techniques that allow obtaining subsidiary-year estimates. We uncover substantive differences in profit shifting across different EU countries and sectors, but with similar time trends. We show that profit shifting is conditionally negatively correlated with financially developed and sound banking systems. Our data and results open important pathways for analyzing the sources and effects of shifting.

Key words: profit shifting, EU variation, banking systems, developed countries.