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Variations in profit shifting and firms' intangible assets

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Abstract: The present work deals with the variations in profit shifting and the role played firms' intangible assets. We find out that the subsidiaries' ratio of intangible assets emerges as a key determinant of profit shifting. The formal empirical analysis shows that a one standard deviation increase in the ratio of intangible assets to total assets increases profit shifting. Finally, consistent with the hypotheses on the heterogeneous effect of firms' intangibility on profit shifting, we found stronger results in countries with weaker institutions.

Key words: profit shifting, intangible assets, weak national institutions, empirical analysis.