This review is for the “Draft Multinational Taxation (Global Anti-Base Erosion – IIR Tax) (Jersey) Law 202 –.

First of all, I would like to share that I strongly support the intention of the Government of Jersey to implement the new global OECD framework for a 15% minimum corporate income tax – called Pillar Two Globe (Global Anti-Base Erosion rule). My co-authors and I have conducted two research outputs on the impact of local business tax rates on the use of tax havens. We provide evidence that internal profit shifting represents an important channel of company tax planning. We find that a one percent increase in local business tax rates increases the likelihood of domestic relocation to lower-tax municipalities. The impact of local-level tax policies on the location of firms is identified much precisely in both domestic and international context. If a minimum tax rate is not applied, that drives tax rates ever lower, leading to a race-to-the-bottom in tax rates among governments. The outcomes of one of the other papers confirm that the effect of local business tax rates is far from insignificant on the use of tax havens by MNEs. We find that 1 percent point increase in local business tax rates leads to approximately 4.97 percent point increase in the number of tax haven subsidiaries by an MNEs on average. High local tax makes MNEs more aggressive in shifting profits via tax havens. This result is significantly important for policy ramifications. i.e. if the tax rate is set too high, firms are highly likely to be more aggressive to engage in tax avoidance. In other words, the threshold of 15% should also be revised carefully to make sure that it is not too high to drive firms to be more aggressive to engage in tax avoidance.

In addition, in another research on the use of tax havens by biggest and oldest firms we have conducted, we find that larger firms are key drivers of tax avoidance. Therefore, that the largest global firms will be forced to pay minimum levels of corporate tax may mitigate the propensity of some of the largest firms to aggressively avoid tax. However, from my perspective, more evidence needs to be gathered regarding the threshold of 750 million euros. My research is not focused on this type of threshold. But from what I observed in the dataset we own (ORBIS by Bureau van Dijk), we have total 41,737 firms out of 399,272,951 firms with global revenue over 750 million euros. There is possibility that many high-profile tax avoiders may avoid a huge amount of income taxes with this threshold.

Another suggestion I would like to contribute to this review relates to another research we have conducted on the role of industrial clusters on the use of tax havens. We find that MNEs in business clusters engage in greater tax haven use, we would expect greater agglomeration to be a key driver of tax avoidance. In particular, being located in a cluster increases the probability of tax haven ownership by 8 percent. This finding is remarkably robust across a number of empirical specifications, measures of the dependent variable, and tests for endogeneity. Therefore, the policy makers had better pay attention to such regional agglomeration to have effective policies to curb the tax aggressiveness by MNEs.

Also, when reading through the documents, there are a number of typos that require more attentions (e.g., "Jersy" – page 3)

Thank you for giving this opportunity to reviewing the "Draft Multinational Taxation (Global Anti-Base Erosion – IIR Tax) (Jersey) Law 202 –.