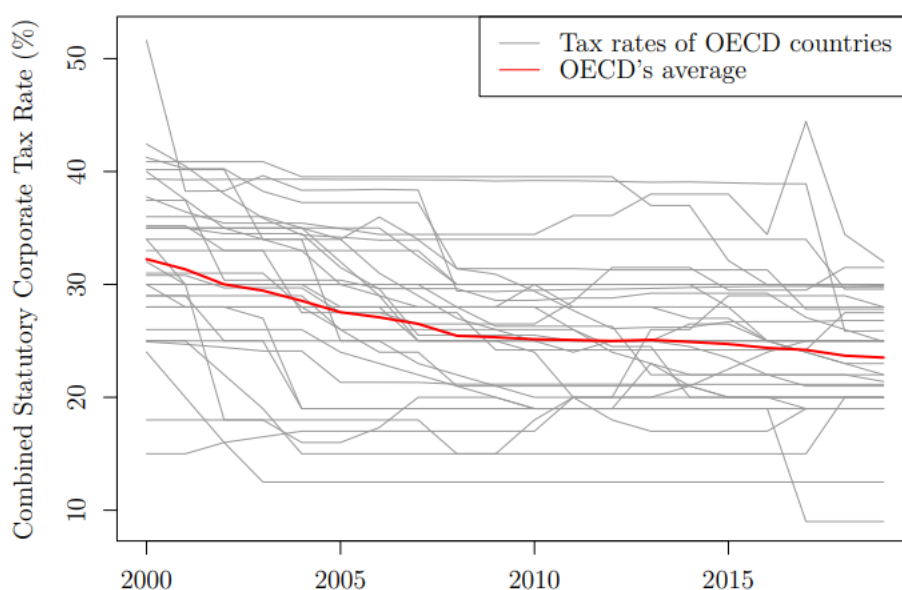


# Global corporate tax for large corporations

## Background information

The general model of the incidence of the corporate income tax assuming a closed economy says that after imposing a tax, consumers' incomes decrease and their demand for a product will depend on the change of their income or the change in the price of the product (Harberger 1962). This model, therefore, does not envision the impact on labor. Since then, economists, including Harberger, have shifted this model into a more realistic form that, in the first place, no longer foresees a closed economy. As a result, the issue of the impact of corporate income tax became the subject of many studies that analyze on real data how much the labor is burdened by corporate tax and if at all.

When analyzing the incidence of the corporate income tax there are different approaches. In empirical studies it really depends on the size of the region we are going to examine. At the level of one state there would be some local firms seated just in that particular municipality, which would be definitely affected by imposing a corporate tax. On the other hand large firms, which might be foreign owned, would not have to be impinged much by the tax burden. Therefore at national level it should be worth examining a representative sample including large corporates as well as small local firms to trace a real impact of corporate tax on labor. However in a globally integrated world it could be more effective to study the impacts in several states simultaneously. If we take more or less homogeneous states whose economies are open, then we assume that the effects of corporate taxation might be similar.



## UN involvement

The report by the UN panel on international financial accountability, published on Thursday (25 February 2021), transparency and integrity (Facti) contends that an agreed minimum tax rate of 20-30% on company profits would limit incentives for multinational companies to shift profits to lower-tax jurisdictions.

The UN paper also recommends that all countries establish beneficial ownership registers holding information on all legal firms, and for all multinational corporations to publish their country– by– country reports.

## Questions to consider

- Are those measures enough?
- How does your country stand in this situation?
- Does it have some kind of negative impact?

## Useful links

<https://www.bbc.com/news/business-58847328>

<https://www.consilium.europa.eu/en/press/press-releases/2022/12/12/international-taxation-council-reaches-agreement-on-a-minimum-level-of-taxation-for-largest-corporations/>