

FROM TAX BREAK TO TAX HAVEN - Offshore Profit Shifting and Multinational Corporations Tax Avoidance Strategy

Cheick Wague, South Stockholm University - SÅ–DERTÅ–RN, Stockholm, Sweden

[dx.doi.org/10.18374/IJBS-13-4.6](https://doi.org/10.18374/IJBS-13-4.6)

ABSTRACT

Policy makers have been concerned about differences in corporate tax rates worldwide for some time, because these differences create incentives for multinational corporations (MNCs) to move real activity to countries with lower taxes. In recent years, governments have become increasingly aware of the fact that lots of major corporations - notably high tech companies including Apple, Facebook, Google, Microsoft, Dell, Oracle Corp. and many others - are using shady, albeit legal, accounting techniques to shift income in ways that drastically minimize a company's tax burden. The objective of this paper is to explore one of these global practices, specifically, that of Cross-Jurisdictional profit shifting within member firms of the multinational group in order to take advantage of corporate tax rate differentials, ultimately affecting the involved countries' tax revenues and economic potential. The paper provides an overview of the theoretical and empirical insights from a growing scholarly literature that analyses the consequences and determinants of the existence of tax-haven countries.

Keywords: *Corporate Tax, Transfer Pricing, Profit Shifting, Tax Haven, Internal Debt*