This paper, written by Peter Krenn (DART) and recently published in the European Accounting Review (EAR), contributes to the question of how taxation of corporate profits and wages affects competition among firms for highly skilled human resources such as CEOs. Using a LEN model, he shows that wage taxes can have a substantial impact on the outcome of such a competition if marginal tax rates are different, as in an international labor market. Furthermore, he shows that increasing the wage tax rate unilaterally can have an ambiguous effect on observed gross compensation levels. However, in a local labor market for CEOs, observed gross fixed salaries should decline in the wage tax rate. Tax effects in a market for CEOs is a particularly interesting topic because many countries around the world use tax incentives to facilitate immigration of highly skilled human resources. Moreover, recent developments in compensation practices of top-level managers have opened a public debate about the need to regulate compensation practices.

Politicians and tax practitioners often claim that tax uncertainty negatively affects investment. In many countries, firms can request fee-based advance tax rulings (ATRs) to mitigate tax uncertainty. In a recently published paper in the European Accounting Review (EAR), Markus Diller, Pia Kortebusch, CAR’s Georg Schneider, and Caren Sureth-Sloane analyze theoretically the circumstances under which investors request ATRs, how tax authorities should price them and how they can affect investment. They find that in special cases the optimal fee tax authorities should charge is sufficiently high that firms refrain from requesting ATRs. However, they also find that revenue-maximizing tax authorities offer ATRs if the ruling enables them either to reduce tax audit costs or to increase the probability of detecting ambiguous tax issues. Moreover, the analysis shows that under certain circumstances, ATRs may foster investment and benefit both the tax authorities and taxpayers. In sum, their results provide new explanations for why taxpayers that face high levels of tax uncertainty often do not request ATRs, even when the fee is rather low.
Global competition incentivizes multinational firms to lower their tax payments by investing in subsidiaries located in tax havens. In a paper written by Carina Herbst, CAR’s Rainer Niemann, and Silke Rünger (all from the Institute of Taxation), and recently published in the Betriebswirtschaftliche Forschung und Praxis (BFuP), the authors analyze subsidiaries of 18,924 Austrian parent companies over the time period 1998–2013. They provide evidence that about 3 to 5 % of all foreign subsidiaries are located in tax havens, especially Switzerland, Cyprus and Luxembourg. Furthermore, they show that the effective tax rate of Austrian parent companies is lower, the higher the proportion of subsidiaries located in tax havens. This result can be seen as a first indicator that Austrian firms use tax havens for tax avoidance.

On September 11, 2017, the DRSC held a joint public discussion with AFRAC and EFRAG in Frankfurt on the IASB Discussion Paper on Principles of Disclosure. CAR’s Alfred Wagenhofer presented the AFRAC positions, particularly regarding main features such as user orientation, impact of information technology, boundaries of IFRS financial statements, and location of information outside these statements. Wagenhofer also chairs the working group that is responsible for AFRAC’s comment letter to the IASB.

CAR’s Alfred Wagenhofer participated in the IAAER/CIMA/KPMG Paper Development Workshop on June 27-28, 2017 and in the 2017 SAAA/AFAA/IAAER International Accounting Conference on June 29–30, 2017 in Drakensbergen, South Africa. In the opening panel “Conducting Policy Relevant Research” of the Paper Development Workshop he offered insights from economic theory, and he was involved in mentoring international young faculty. In a symposium at the Conference he gave a talk on a theory perspective on causality in accounting research.

The tenth Accounting Research Workshop took place in June at the University of Basel. The workshop was co-organized by Robert Göx (University of Zurich) and Ulf Schiller (University of Basel). Alfred Wagenhofer was one of the keynote speakers and opened the workshop with a presentation of his current project that investigates the effects of regulatory changes and the interrelation between different compliance institutions. Before the workshop, several DART students had the opportunity to participate in a three-day DAR doctoral course on analytical research held by Ilan Guttman (NYU). Guttman, also the second keynote speaker at the workshop, provided useful insights into seminal works on disclosure and earnings management in accounting theory. DART students Reinhard Schrank, Elisabeth Plietzsch, and Nikolina Krneta had the opportunity to present their research papers and to participate in workshop discussions.

The EFRAG established an Academic Panel to interact better with academia in its objective to advise the European Commission regarding international accounting standards. EFRAG invited a small group of European accounting researchers to participate in a Workshop on September 5, 2017 and Panel members, including CAR’s Alfred Wagenhofer, to a full-day meeting on September 6, 2017 in its premises in Brussels. Topics that were discussed included EFRAG’s more fundamental research projects, including measurement and uncertainty, entity or market perspective, discounting, and improvements of disclosures.

Imprint:
Professor Dr. Dr. h.c. Alfred Wagenhofer
Center for Accounting Research
Karl-Franzens-Universität Graz
Universitätsstraße 15/FE
8010 Graz

tel 0316 380 3500
e-mail car@uni-graz.at
web http://car.uni-graz.at

Editor-in-chief: Alfred Wagenhofer
Contributors: Alfred Wagenhofer, Nikolina Krneta, David Windisch
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