



"The Impact of Taxes on Competition for CEOs" (EAR)



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 an 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.

IAAER and ACCA Early Career Researchers Workshop

In his role as Vice President-Research of IAAER, CAR's **Alfred Wagenhofer** participated in this workshop, held June 5–6, 2017 in conjunction with the AMIS 2017 Conference at the Bucharest University of Economic Studies and funded by ACCA Global. In an introductory symposium on "Current topics and methodological issues in quantitative accounting research," he, Katherine Schipper (Duke University), and Gilad Livne (University of Exeter) presented and discussed aspects of the wider question of whether accounting research must demonstrate causality to make a contribution. Other workshop faculty presented on various research themes. The rest of the workshop was devoted to discussing research projects by younger faculty from Romania, Poland, and Turkey.



New Research Cooperation with UNC

The University of Graz, through CAR, and the University of North Carolina



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

at Chapel Hill (UNC) have agreed to an exchange program particularly for accounting PhD students from both institutions. The purpose is to develop academic cooperation and to promote relations and mutual understanding. The program includes the exchange of academic faculty and PhD students in accounting and also—to a limited extent—outgoing master's students. Moreover, they have been awarded an Erasmus+ program to specifically support mobility for the academic years 2017–2019. Details for PhD students and faculty are available from Birgit Beinsen (CAR). Linking this program with a highly renowned institution such as UNC expands the opportunities for our PhD students to go abroad.

"Boon or Bane? Advance Tax Rulings as a Measure to Mitigate Tax Uncertainty and Foster Investment" (EAR)

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.



"Do Austrian Firms Use Tax Havens?" (BFuP)



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 Runger** (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.

Public Outreach Event on the IASB's Discussion Paper on Principles of Disclosure

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.

SAAA/IAAER/AAFA Biennial International Conference in Accountancy/Workshop

CAR's **Alfred Wagenhofer** participated in the IAAER/CIMA/KPMG Paper Development Workshop on June 27-28, 2017 and in the 2017 SAAA/AAFA/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.

Tenth Accounting Research Workshop in Basel

The tenth Accounting Research Workshop took place in June at the University of Basel. The workshop was co-organized by Robert Gox (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.

EFRAG's Academic Panel Workshop



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:

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