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Do firms that pay less company tax create more jobs?

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**Do Firms That Pay Less Company Tax Create More Jobs?**

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**Abstract**

Using data for around 1000 profitable Australian firms, I explore the relationship between effective tax rates and job creation. On average, I find that the relationship is positive – meaning that firms which pay less tax tend to create fewer jobs. About one-third of firms have sufficient deductions and tax offsets to reduce their effective tax rate below 25 percent. On average, these firms shed jobs. By contrast, firms with an effective corporate tax rate above 25 percent created jobs at an average annual rate of 2 percent.

**Keywords:** corporate income tax; employment

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