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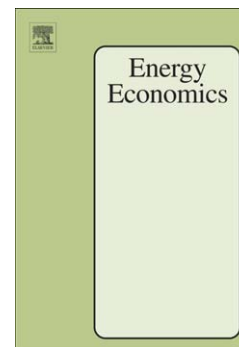
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Taxing Income in the Oil and Gas Sector - Challenges of International and Domestic Profit Shifting*

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This paper provides specific estimates on the scale of profit shifting among hydrocarbon MNEs. We estimate a semi-elasticity of reported Earnings Before Interest and Taxes (EBIT) to sector specific income taxation of -1.68. Observed effects are larger when using Profit and Loss before Taxes, allowing for debt shifting. We find no profit-shifting among entities that are majority-owned by a national government. We also observe a higher vulnerability of non-OECD economies in our sample, which consists of 294 domestic and multinational parents and subsidiaries during the period from 2004-2012. To assess the importance of domestic profit-shifting channels, we take advantage of domestic tax differentials among hydrocarbon producers facing additional rent taxes and find that domestic profit shifting accounts for about one third of total income concealed.

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