

Corporate Taxation, Prices, and Inequality

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Abstract

This paper examines the incidence of a substantial and temporary corporate tax increase in France, targeting large firms with turnover above €250 million between 2011 and 2016. Using a difference-in-differences (DiD) framework and administrative data, we analyze the effects of this tax hike on prices, wages, employment and investment. We find evidence of significant pass-through to output prices.

On the labor market, we observe reductions in the total wage bill driven by declines in employment, particularly for low-paid workers, with minimal impact on average wages. Investment also contracted, with treated firms reducing their assets by up to 10% after the second tax increase.

We also observe increases in turnover and employment non-treated firms operating in the sectors the most exposed to the temporary tax. These findings highlight the heterogeneous effects of corporate taxes, emphasizing their impact not only on shareholders but also on workers and consumers. We then combine our estimates with a theoretical model to assess the incidence of the corporate income tax in general equilibrium.