Corporate taxation and the (co-)location of intangible and tangible assets

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Abstract

Intangible assets are increasingly seen as important determinants of value creation within multinational companies and at the same time are in the focus of tax policy debates as an important channel for aggressive tax planning. Especially the latter hinges on the assumption that intangible assets are freely mobile within the corporate group. At the same time policy makers use local value creation of intellectual property as an argument in favour for the newly established favourable tax treatment for income from intellectual property. Hence this paper investigates whether firms are freely able to relocate intangible assets within their corporate group and what tax implications this has. We find that intangible assets have only an imperfect joint input characteristic and tends to be partly co-located with tangible assets and concentrated towards the parent companies. At the same time we find that taxes significantly affect the location of both intangible and tangible assets and that tax savings can be achieved through intangible assets. Importantly, we show that the information about intangible assets from the balance sheets is insufficient to fully characterise the relationship between different types of assets and corporate taxation.

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