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“Dodging Taxes. Essays on Tax Evasion and the International Labor Mobility of Football Players”

This thesis is a collection of three self-contained articles on public finance, especially individual behavior in response tax systems, both at the national and international stage. A common denominator of all three papers is a theoretical and empirical setting in which straightforward, honest tax payment is just one option on the behavioral menu. Chapters 1 and 2 are closely related and focus on empirical applications of a structural model of tax evasion and enforcement to Danish, administrative tax return and enforcement data obtained from the Danish tax agency, SKAT. In contrast, Chapter 3 focuses partly on the empirical implications of tax avoidance in the form tax flight in the international, European labor market for football players.

Chapter 1, “Tax Evasion, Information Reporting, and the Regressive Bias Prediction”(joint with Simon Halphen Boserup), investigates a prediction from the tax evasion literature that optimal auditing induces a regressive bias in effective average tax rates compared to statutory rates, reducing the degree of redistribution in the tax system. We show that a model building on both rational tax evasion, the well-established fact that some taxpayers are inherently honest, and which takes into account that modern tax collection relies on information reporting in addition to traditional auditing, can convincingly replicate the moments and correlations of tax evasion and probabilities of audit. We find that both reduced-form evidence and simulations are in accordance with the prediction of regressive bias when conditioning on information reporting. However, information reporting counteracts the regressive bias generated by optimal evasion and auditing behavior and, as a consequence; the bias vanishes when considering the degree of redistribution in the overall economy.

Chapter 2, “A Structurally Estimated Model of Tax Evasion and Enforcement” (joint with Simon Halphen Boserup), estimates a structural model of tax evasion and optimal auditing, inspired by the empirical congruity of the model developed in Chapter 1 to Danish data and assess the relative importance of instruments to deter tax evasion. We find that the policy instruments that work along the intensive margin of tax evasion (audit and penalty rates) are less effective in combating tax evasion than instruments working along the extensive margin of tax evasion (third-party information reporting and the share of honest taxpayers in the population).

Chapter 3, “Wage- and Tax-Induced Mobility of Footballers among 30 European Countries”, builds and estimates a joint model of international location choice and local production. Using a large, novel micro-data set of European football players in 30 countries, I find labor supply responses to net-of-tax wage, gross wage, and average tax rates simultaneously in a coherent framework combining a log-linear wage regression with a conditional logit location choice regression. Labor supply elasticities are large for a small

subset of players but the vast majority remain in the home country due to strong location preferences for home country, language, and culture. In addition, I find that local gross wage schemes are endogenous to average tax rates and that foreign players tend to complement, rather than substitute for, native players and, likewise, that an influx of foreign players will tend to elevate, rather than depress, gross earnings of native players. My results suggest that international tax competition for skilled labor may not be a zero-sum game.

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