
Corporate Flat Tax Reforms and Businesses' Location Choices. Evidence from Switzerland

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Abstract

Profit taxation affects corporate investment decisions through several channels. This paper focuses on the impact of corporate income flat tax reforms on businesses' location choices. Since 1990, Swiss states (cantons) have been switching from a graduated to a flat tax rate scheme on profits. The paper assesses the effects of such a reform on the number of establishments by computing a difference-in-differences estimation. Our results show a negative impact on the number of firms in a given jurisdiction. Interestingly, the effect is considerably larger for riskier firms, suggesting the presence of an insurance effect from progressive taxation for risk-averse entrepreneurs.

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