

Summary of Paper: [Foreign Employment, Income Shifting, and Tax Uncertainty](#)

What is this Study About?

As U.S. multinational corporations hire workers outside the country, the study investigates how foreign employment affects income shifting and tax uncertainty. It analyzes whether firms with a higher degree of foreign employment are more likely to engage in tax-motivated income shifting out of the U.S. and how such employment affects the tax uncertainty of foreign transactions.

What are the major findings of the study?

Researchers found that firms with a higher level of foreign employment tend to engage in more tax-motivated income shifting than those with lower levels. This was demonstrated using two distinct income shifting models—the Klassen and Laplante model and the Dyreng and Markle model. Additionally, firms with a high degree of foreign employment were associated with lower tax uncertainty, suggesting that the presence of foreign employees enhances the economic substance of foreign transactions, potentially reducing the scrutiny from tax authorities.

Why is the study important?

This study contributes to the understanding of international tax planning strategies by highlighting the role of foreign employment in facilitating income shifting and reducing tax uncertainty. It underscores that policymakers need to consider the implications of foreign employment when they design tax laws to reduce income shifting. The findings are significant for accounting practitioners and policymakers interested in the nuances of tax planning and compliance in a global context.