List of variables

Name	Label	Description	Source
Original variables			
art		K3 / K4 (outward/inward FDI)	Microdatabase Direct investment (MiDi)
lan		Country of the investment enterprise (K3) / investor (K4)	
jhr		Year	
bil		Balance sheet type	
num		Number of the party required to report (parent firm)	
nu2		Number of the investment enterprise (affiliate)	
ppu		Degree of participation calculated from the original balance sheet (national currency)	
br1		Sector of the party required to report	
br2		Sector of the investment enterprise (K3)	
p04		Annual turnover in € thousand	
p05		Number of employees	
p11		Fixed and intangible assets	
p12		Financial assets	
p17		Current assets	
p21		Other assets	
p32		Profit and loss for the financial year (after taxes, prior to profit distribution, and offsetting of losses carried foreward)	
pm4		2002 on: German investor's balance sheet total	
pm5		2002 on: German investor's turnover in € thousand	
pm6		2002 on: German investor's number of employees	
pm7		2002 on: balance sheet total of the corporate group (German UO, if applicable)	
pm8		2002 on: turnover of the corporate group (German UO, if applicable)	
pm9		2002 on: number of employees of the corporate group (German UO, if applicable)	
stat_tax		Statutory tax rate of foreign country in percent	IBFD
rdintensity_zew, rd_intensity	R&D intensity	R&D intensity in sector of parent	ZEW
gdp		GDP of foreign country	IMF
dist		Geographic distance between Germany and foreign country	CEPII
rq		Regulatory quality in foreign country	World Bank (WGI)
rl		Rule of law in foreign country	
corr		Control of corruption in foreign country	

Variables used in analysis		
aff_haven		Indicator variable: affiliate located in tax haven
have_haven	Tax haven use	Indicator variable: parent owns affiliate in tax haven in a year
tax_haven		Indicator variable: country is tax haven
nhaff_employees		Number of employees of non-haven affiliate, adjusted by degree of participation
nonh_employees		Total number of employees of parent in non-haven affiliates
nonh_emp_k	# non-haven employees (in 1,000)	Total number of employees of parent in non-haven affiliates in 1,000
nhaff_sales		Sales of non-haven affiliate, adjusted by degree of participation
nonh_sales		Total sales of parent in non-haven affiliates
nhaff_assets		Total assets of non-haven affiliate, adjusted by degree of participation
nonh_assets		Total assets of parent in non-haven affiliates
nhaff_cassets		Current assets of non-haven affiliate, adjusted by degree of participation
nonh_cassets		Total current assets of parent in non-haven affiliates
tau		Statutory tax rate of foreign country in decimals
tax_adjustment_th		Function of tau that allows estimating pre-tax profits from observed after tax profits for parents that own tax haven affiliate(s)
min_nhtax		Lowest statutory tax rate of countries where parent owns affiliate
aux_taxnht		Variable used to compute tax_adjustment_nth
tax_adjustment_nth		Function of tau that allows estimating pre-tax profits from observed after tax profits for parents that do not own tax haven affiliate
est_profit		Estimated profit (calculated from observed after-tax profit and theory)
nhaff_profit		Estimated profits of non-haven affiliate, adjusted by degree of participation
nonh_profits		Total estimated profits of parent in non-haven affiliates
pm6_k	# parent employees (in 1,000)	# parent employes in 1,000
ln_pemployees	Parent size	Ln (# parent employees)
ln_pemployees2	Parent size, squared	Ln (# parent employees)^2
ln_nhemployees	Foreign non-haven size	Ln (# non-haven employees)
ln_nhemployees2	Foreign non-haven size, squared	Ln (# non-haven employees)^2
nh_tax		Statutory tax rate of non-haven affiliate
aveemp_nhtax	Average foreign non-haven tax rate, employees weighted	Average foreign non-haven tax rate, weighted by number of employees
avesal_nhtax	Average foreign non-haven tax rate, sales weighted	Average foreign non-haven tax rate, weighted by sales
aveass_nhtax	Average foreign non-haven tax rate, total assets weighted	Average foreign non-haven tax rate, weighted by total assets
avecass_nhtax	Average foreign non-haven tax rate, current assets weighted	Average foreign non-haven tax rate, weighted by current assets

avepro_nhtax	Average foreign non-haven tax rate, estimated profits weighted	Average foreign non-haven tax rate, weighted by estimated profits
tag_numjhraff		Flag for parent-affiliate-year triple
count_aff		Number of affiliates of a parent in a foreign country and year
count_lan		Number of countries where a parent holds at least one affiliate
first_jhr		First year that parent is in sample
last_jhr		Last year that parent is in sample
initialloc_2001		Indicator variable: parent active in country in 2001
initialloc_firstjhr		Indicator variable: parent active in country in first year that parent is in sample
loc2001		Indicator variable: non-haven country where parent is active in in 2001
locfirst		Indicator variable: non-haven country where parent is active in in first year that parent is in sample
total_nhgdpin		Sum of GDP (used as counterfactual weights for size of affiliates that parent held in 2001)
avegdp_nhtaxin		Average foreign non-haven tax rate had the firm kept all 2001 affiliates, weighted by GDP instead of affiliate sales
instr_2001	Average tax rate at 2001 non-haven locations	Instrument: average foreign non-haven tax rate had the firm kept all 2001 affiliates, weighted by GDP instead of affiliate sales
total_nhgdp_in		Sum of GDP (used as counterfactual weights for size of affiliates that parent held in its first year)
avegdp_nhtax_in		Average foreign non-haven tax rate had the firm kept all first-year affiliates, weighted by GDP instead of affiliate sales
instr_first		Instrument: average foreign non-haven tax rate had the firm kept all first-year affiliates, weighted by GDP instead of affiliate sales
par_sector		Parent sector (2 digit br1)
d_sector		Indicator variable: parent sector group (manufacturing/service/finance)
aff_sector		Indicator variable: affiliate sector group (manufacturing/service/finance)
d_agri		Parent firm is in agriculture
d_manu		Parent firm is in manufacturing
d_serv		Parent firm is in services
d_finc		Parent firm is in financial sector
tax_rd	Interaction of average foreign non-haven tax rate and R&D intensity	Interaction of average foreign non-haven tax rates (employees weighted) and R&D intensity
tax_rd2001	Interaction instrument year 2001 R&D intensity	Interaction of instr2001 and R&D intensity
ln_nhdist	Average distance	(Average) Log distance to non-haven countries where parent owns affiliates
nh_gdp		GDP, non-haven countries
ln_nhgdp	Average market size	(Average) Log GDP of non-haven countries where parent owns affiliates
nh_rq	Average regulatory quality	(Average) Regulatory quality of non-haven countries where parent owns affiliates

Own calculations

nh_rl	Average rule of law	(Average) Rule of law of non-haven countries where parent owns affiliates	
nh_corr	Average control of corruption	(Average) Control of corruption of non-haven countries where parent owns affiliates	
Djhr		Year dummies	
nohav		Indicator variable: country is not tax haven	
has_nhaff		Indicator variable: parent has affiliate(s) in non-haven country	
count_thaff		Number of affiliates in tax-haven per parent and year	
mult_thaff		Indicator variable: parent has several tax-haven affiliates in year	
count_aff		Number of affiliates in tax haven countries/ non-haven countries	
affparlan		Number of affiliates in country by sector group	
numparlan		Number of parents that hold affiliates in tax haven country and year	
Auxiliary variables			
mean_br1		Auxiliary variable: average sector of parent through years	Own calculations Auxiliary variables
dum7490		Indicator variable: parent is holding company in a year	
potHLD		Indicator variable: parent may be holding company though it is not classified as such in a year	
mean_sales		Auxiliary variable: average sales of parent though years	
mean_emplo		Auxiliary variable: average number of employees of parent though years	
pm4_copy		Auxiliary variable: saves original values of pm4	
pm5_copy		Auxiliary variable: saves original values of pm5	
pm6_copy		Auxiliary variable: saves original values of pm6	
pm4_CFS		Indicator variable: pm4 of firm unequal to pm7 in a year and pm4 not 0	
pm5_CFS		Indicator variable: pm5 of firm unequal to pm8 in a year and pm5 not 0	
pm6_CFS		Indicator variable: pm6 of firm unequal to pm9 in a year and pm6 not 0	
equal_pm4		Indicator variable: pm4 of firm unequal to pm7 in at least one year	
equal_pm5		Indicator variable: pm5 of firm unequal to pm8 in at least one year	
equal_pm6		Indicator variable: pm6 of firm unequal to pm9 in at least one year	
filled_in		Indicator variable: share of observations (years) per parent and country that are filled in	
matchMiDiZEW		Sectoral groups to match the R&D intensities to the MiDi data	
flg_parjhr		Flag for each parent and year	
flg_parjhrhav		Flag for parent, year and country type (haven/not haven)	
flg_parth		Flag for parent, tax haven and year	
touse		Ensures uniform estimation sample through specifcations	