

# Tax Reforms and Inter-temporal Shifting of Corporate Income: Evidence from Tax Records in Slovakia\*

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## Abstract

We use administrative tax return data for all corporations in Slovakia to demonstrate how policies facilitating inter-temporal income shifting result in elevated corporate income tax (CIT) elasticity estimates. Our strategy exploits kinks in the statutory tax schedules and policy reforms of tax carry-forwards. If inter-temporal shifting is neglected, our bunching estimates imply CIT elasticity of up to 0.65, suggesting a highly sensitive tax base with respect to the marginal tax rate. However, we show that CIT elasticity drops at least 21.2-49.1% when we remove the inter-temporal shifting component. This correction significantly reduces the estimated marginal excess burden of corporate taxation.

**Key words:** corporate income tax, elasticity, inter-temporal profit shifting, bunching, tax carry-forwards

**JEL classification:** G32, H25, H26, L25

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