

# Online Appendix for: Where Does Multinational Investment Go with Territorial Taxation? Evidence from the UK

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## A. Supplementary Exhibits

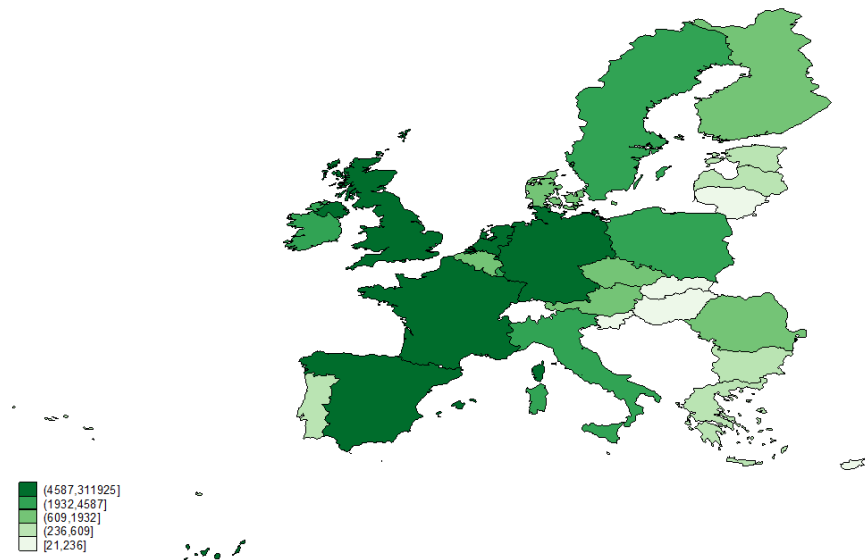


Figure A.1. Spatial Distribution of UK Subsidiaries

*Notes:* This figure shows the distribution of UK-owned affiliates in the EU-27 countries. Numbers in the square brackets refer to the five quantiles of the sample distribution.

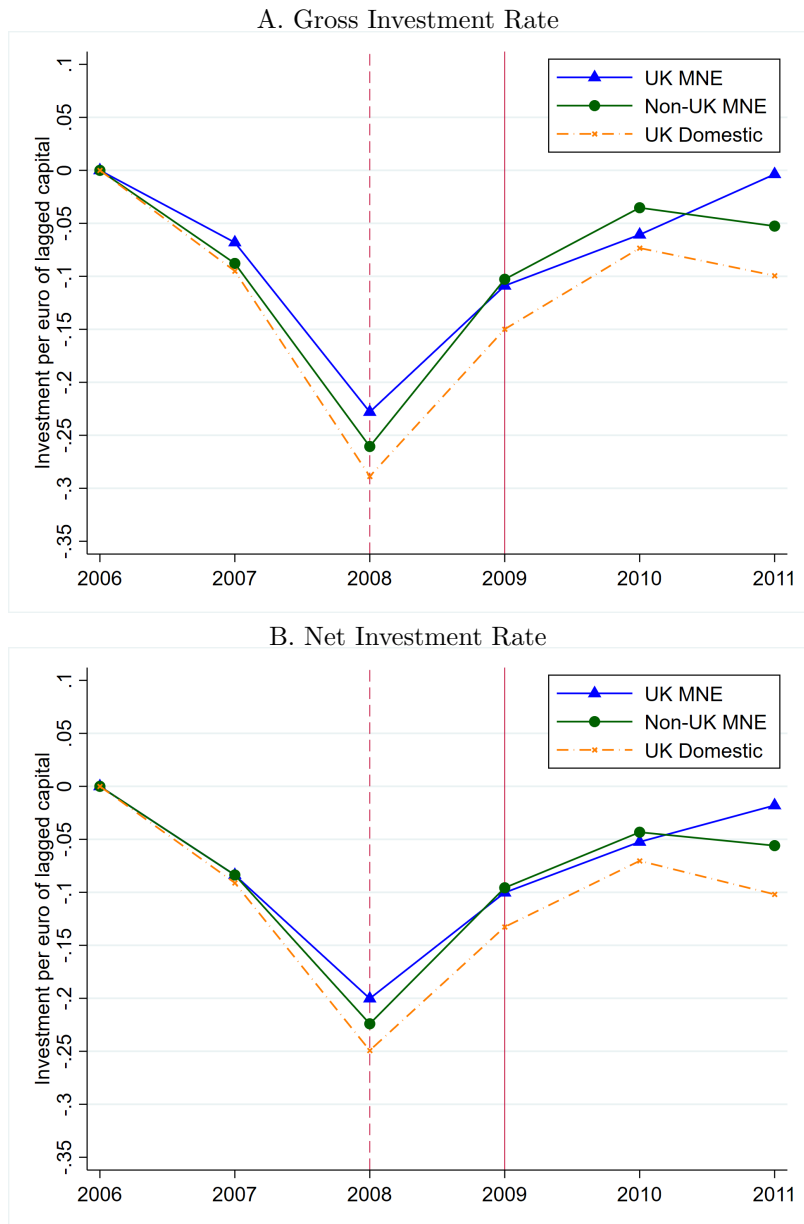


Figure A.2. Graphical Evidence on Investment in the UK

*Notes:* The figure plots the average gross investment rate from 2006-2011 for UK MNC affiliates, UK affiliates of domestic company groups, and non-UK multinational affiliates in the UK. The solid vertical line depicts the year the exemption system was introduced, and the dashed vertical line depicts the year the policy reform was announced.

Table A.1. Country Statistics

Host Country:	Number of Subsidiaries in	with Ultimate Parent in						
		Total	UK	Europe	North America	Asia	Africa	South America
Austria	2,794	128	2,512	68	59	11	7	9
Belgium	2,907	247	2,482	44	84	13	5	32
Bulgaria	984	35	784	25	132	6	0	2
Cyprus	15	2	6	5	0	1	0	1
Czech Republic	5,238	238	4,675	128	140	39	3	15
Germany	10,770	986	8,713	282	626	51	19	93
Denmark	940	104	788	21	22	1	0	4
Estonia	1,310	68	1,102	62	75	1	0	2
Spain	6,238	643	5,170	123	189	18	50	45
Finland	1,418	103	1,261	21	23	1	1	8
France	10,508	1,091	8,562	266	344	154	26	65
United Kingdom	34,737	24,246	7,274	1,530	892	223	25	547
Greece	993	83	848	21	15	17	0	9
Hungary	837	34	775	7	17	2	0	2
Ireland	932	294	532	66	21	3	1	15
Italy	5,957	613	4,939	142	170	23	15	55
Lithuania	575	19	516	18	19	1	0	2
Luxembourg	1,047	189	706	115	19	9	1	8
Latvia	971	43	789	37	90	8	0	4
Malta	60	8	46	2	2	1	0	1
Netherlands	1,623	272	1,107	77	122	12	15	18
Poland	5,960	303	5,458	71	93	11	2	22
Portugal	1,425	70	1,274	13	26	18	11	13
Romania	7,475	227	6,138	219	781	85	4	21
Sweden	1,466	125	1,295	11	21	0	1	13
Slovenia	264	10	249	1	0	2	0	2
Slovakia	1,072	25	1,014	13	14	1	2	3
Total	108,516	30,206	69,015	3,388	3,996	712	188	1,011

*Notes:* The country in each row refers to the host country where the multinational affiliate is located. The country/region in each column refers to the home country/region where the ultimate parent of the multinational affiliate is located. The dataset consists of two samples for empirical analysis: (1) the sample for MNC affiliates in the low- and high-tax countries outside the UK, and (2) the sample of MNC affiliates in the UK.

Table A.2. Mean Characteristics by Treated and Control Group

A: Full Sample		UK Affiliates		Non-UK Affiliates		Mean Difference
Variable	Obs.	Mean	Obs.	Mean	$p$ -value	
Investment	18,728	2,685	212,393	2,035		0.03
Fixed Asset	27,807	16,502	318,427	11,498		0.00
Gross Investment scaled by Lagged Asset	18,421	0.644	208,948	0.713		0.00
Net Investment scaled by Lagged Asset	20,424	0.261	237,254	0.344		0.00
<i>Firm-level controls</i>						
Sales	28,998	69,610	331,578	42,467		0.00
Cash Flow	23,636	6,118	272,939	2,878		0.00
Profit Margin	23,793	0.072	271,780	0.059		0.00
Sales Growth Rate	22,605	0.211	257,759	0.234		0.00
B: Matched Sample						
Investment	4,952	1,854	3,228	2,315		0.30
Fixed Asset	7,342	15,820	4,636	12,971		0.13
Gross Investment scaled by Lagged Asset	4,877	0.622	3,200	0.736		0.02
Net Investment scaled by Lagged Asset	5,440	0.247	3,602	0.378		0.00
<i>Firm-level controls</i>						
Sales	7,778	52,029.18	4,920	51,519		0.904
Cash Flow	6,359	5,920.06	4,162	3,303		0.047
Profit Margin	6,340	0.068	4,155	0.068		0.970
Sales Growth Rate	6,040	0.241	4,029	0.213		0.063

*Notes:* Unconsolidated values, in thousand euros, current prices. All firm-level ratios winsorized at the top and bottom 1 percentile.

Table A.3. Other Outcome Responses in High-Tax Countries

Dependent variable:	Compensation		Employment		Productivity		Profitability	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$DE_{it}$	-9.028 (6.219)	-9.028 (6.219)	5.171 (6.883)	5.180 (6.881)	-8.077 (14.310)	-7.986 (14.309)	0.002 (0.011)	0.002 (0.011)
Number of workers	0.003 (0.002)	0.003 (0.002)						
Turnover (thous Euro)	0.024 (0.019)	0.023 (0.017)	0.117 (0.041)	0.115 (0.040)				
Total Assets (thous Euro)		-0.0003 (0.004)		0.010 (0.017)		0.022 (0.014)		-0.00002 (0.0002)
Year FEs	Y	Y	Y	Y	Y	Y	Y	Y
Affiliate FEs	Y	Y	Y	Y	Y	Y	Y	Y
$N$	108,614	108,614	138,592	138,592	118,258	118,258	160,765	160,765
Clusters (firms)	23,725	23,725	26,374	26,374	24,381	24,381	30,160	30,160
$R^2$	0.63	0.63	0.80	0.80	0.89	0.89	0.58	0.58

*Notes:* This table reports difference-in-difference estimates of the effects of the 2009 dividends exemption on other firm-level outcomes in the high-tax countries. Compensation is the average company wage and salary per worker, productivity is the total output per worker, and profitability is the EBIT relative to total output. Heteroskedasticity-robust standard errors clustered by firm are shown in parentheses below the estimated coefficient.