Regional Implications of National Tax Policies

Oliver Krebs

(ETH Zürich)

Faculty Seminar, November 30, 2026

Abstract:

In this paper we study the region and sector specific effects of changes in (supra)national corporate tax policies. We are the first to do so in a new, general equilibrium, spatial quantitative model that features heterogeneous responses to national policies due to region and sector specific production structures, including varying usage of deductible capital asset types, and spillovers through a full set of input-output relations and commuting. Calibrating the model for 13 sectors across 1306 European NUTS3 regions we derive several key results: Firstly, real consumption responses to a one percentage point increase in national corporate taxes are vastly heterogeneous, ranging from -0.1\% to 0.12\%. Secondly, moving to an EU wide common corporate tax at the current mean increases overall welfare by 0.05\%. Finally, adopting a cash-flow taxation with full immediate deductibility of all capital assets decreases average welfare by -0.01\%.

Authors:

with Peter Egger, Valeria Merlo, and Georg Wamser