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Press Release

GBP Monitor May: Increased Business Taxes Would Also Lead to Higher Prices and Staff Cuts

If taxes on business profits were to rise, this would not only affect companies but also customers: On average, they would have to pay for 20 percent of the additional burden - in the form of price increases. However, the staff would also be affected, because companies would compensate for 15 percent of the additional burden by laying off staff or reducing their salary.

The adoption of the new federal budget and the announced increase in expenditures for the upcoming year have started discussions about potential tax increases - also for companies. However, the additional burden would not only affect companies but also customers and employees. The May report of the German Business Panel (GBP) at the University of Mannheim provides information on how an increased tax burden would affect people in Germany.

Companies would compensate for another seven percent of the additional tax burden by avoidance behavior, for example, by tax planning to avoid having to pay more taxes. In the end, companies would have to pay for 35 percent of the additional costs. For 15 percent of the additional costs, they would pay by forgoing investments.

“The burden of business taxes is not only shouldered by the companies”, explains Professor Philipp Dörrenberg, who conducted the study. “This should definitely be considered when it comes to reform efforts”, he concludes.

The report also shows that the business situation of companies has cooled down, compared to the previous months. Especially profit expectations have dropped, compared to the previous month (-1.5 percent). Relative to the previous year, companies currently expect their operating profits to stagnate on average.

The complete report on company trends in May 2023 (“GBP-Monitor: Unternehmenstrends im Mai 2023”) can be found here: https://www.accounting-for-transparency.de/wp-content/uploads/2023/05/gbp_monitor_2023_05.pdf

Further information on the GBP monitoring report

The German Business Panel interviews more than 800 companies per month on the

economic situation in Germany and collects data on 1) any expected changes in revenue, profit and investments, 2) economic decisions, 3) the expected default probability in the sector and 4) the satisfaction with the economic policy. Furthermore, GBP reports on particularly relevant questions once per month.

Background information on the German Business Panel

The GBP is the long-term survey panel of the trans-regional Collaborative Research Centre “Accounting for Transparency” (www.accounting-for-transparency.de). The Collaborative Research Centre (CRC) “TRR 266 Accounting for Transparency” started in July 2019 and is funded by the German Research Foundation (DFG) for four years. It is the first CRC with a focus on business administration. Approx. 100 researchers from the following nine universities are involved in the CRC: Paderborn University (host university), Humboldt-Universität zu Berlin, University of Mannheim, Ludwig-Maximilians-Universität München, ESMT Berlin, Frankfurt School of Finance & Management, Goethe University Frankfurt am Main, WHU - Otto Beisheim School of Management. The researchers examine how accounting and taxation affect the transparency of companies and how regulation and firm transparency impact our economy and society. The CRC is funded with approx. EUR 12 million.

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