# Public Finance (Taxation of firms and financial activities)

## Prof. Ernesto Longobardi

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to provide students with:

- the essential elements of the analytical and methodological tools needed to study the economic effects of taxes, with particular reference to the taxation of capital, in the two forms of taxes on corporate profits and of taxes on financial assets;

- basic knowledge of the Italian tax system with regards to the taxation of businesses and financial activities;

- a good knowledge of the supranational (EU, OECD) policies and debate on the main problems concerning the taxation of capital and, in particular, multinational companies.

At the end of the course, students will be able to:

*(knowledge)*

- possess the basic analytical tools for studying the economic effects of taxes;

- know the features of the Italian system of corporate and capital taxation;

- know the main problems of capital taxation at the international level, especially in terms of tax avoidance and planning, as well as the main counter-policies that have been put in place or are still at a design stage;

*(understanding)*

- understand a test of medium analytical difficulty in the field of the economics of taxation;

- follow the national and supranational debate on the taxation of capital;

- read and understand the official documents of the European Commission, the OECD, commissions and study groups, etc. on capital taxation;

*(autonomous judging skills)*

- discuss and make judgments on the documents and proposals mentioned above in points 4, 5, 6.

***COURSE CONTENT***

1. *Preliminary notions*

The firms and the economic system. The incidence of taxes. The excessive burden of taxation in the product and capital markets. Progressiveness. International criteria for taxing goods and income.

Reading Ref.: Longobardi (2017): chapters 1 (only § 1.3.2 and 1.3.3), 2, 4, 6, 7 and 9.

2. *Taxation of capital*

Tax burden and legal form of the company. The corporate income tax basis. Corporate income tax and inflation. Taxes and investments. Alternative models of corporate taxation. Neutrality and distortions in international capital taxation. EU work on capital taxation.

Reading ref.: Longobardi (2017): chapters: 15 (only 15.4.2); from 19 to 24, 27 and 28.

3. *Companies and indirect taxes*

Structure of indirect taxation. Value added tax. Neutrality and distortions in the taxation of international trade. Intra-EU VAT.

Reading ref.: Longobardi (2017) chapters: 3 (only 3.1); 18, 25 and 26.

4. *Taxation of companies and savings in the Italian tax system*

Features of Irpef. Corporate taxation: Irpef, Ires, Irap. Taxation of income from financial assets.

Reading ref.: Bosi-Guerra (2020) chapters: IV, V, VI

***READING LIST***

- Reference texts:

E. Longobardi, *Economia tributaria*, McGraw-Hill, third edition, 2017, mandatory parts for exam preparation: chapters 1 (only § 1.3.2 and 1.3.3), 2, 3 (only 3.1), 4, 6, 7, 9, 15 (only 15.4.2), from 18 to 28.

P. Bosi-M.C. Guerra, *I tributi nell’economia italiana*, Il Mulino, Bologna, 2020, mandatory parts for exam preparation: chapters: IV, V, VI

- Additional material will be distributed in class.

***TEACHING METHOD***

Frontal lectures and tutorials.

***ASSESSMENT METHOD AND CRITERIA***

- Interim written test;

- final written test or, alternatively, an interview.

The written test consists of two parts: in the first, out of a total of 22 marks, students are asked to solve 6-7 exercises requiring the use of analytical tools; the second, out of a total of 10 marks, is composed of true/false questions. Students who receive 31 or 32 points are awarded a distinction.

***NOTES AND PREREQUISITES***

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board