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The Influence of Culture on the Accounting Profession: An Investigation into the implementation of the OECD's Inclusive Framework on BEPS in the United States and Germany

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THE INFLUENCE OF CULTURE ON THE ACCOUNTING PROFESSION: AN INVESTIGATION INTO THE IMPLEMENTATION OF THE OECD'S INCLUSIVE FRAMEWORK ON BEPS IN THE UNITED STATES AND GERMANY

by
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ABSTRACT

This research investigates the United States and Germany's implementation of the OECD's Inclusive Framework on BEPS and assesses the degree to which each country's response was influenced by its culture. The objective of this research is to present a perspective on how international accounting regulations can take cultural characteristics into consideration in order to produce their desired outcomes. For the purpose of this thesis culture is defined and quantified through the framework developed by Geert Hofstede. Furthermore, this thesis investigates the relationship between the neoliberal political paradigm and the role of culture in accounting. This research uses a combination of primary and secondary research including an analysis of legislative actions, corporate statistics and BEPS indicators, survey responses, and interviews, in order to analyze the qualitative and quantitative characteristics of the US and Germany's BEPS response within the context of Hofstede's cultural dimensions. This analysis finds that both the US and Germany were heavily influenced by their respective cultural dimensions in their institutional perception and implementation of the Inclusive Framework on BEPS. Furthermore, many of the differences between the two country's responses are found to be attributable to cultural dimensions on an individual level, specifically those of independence vs. collectivism and long-term vs. short term orientation. The results of this thesis find that in order for international regulations to be effective in jurisdictions with varying cultural dimensions they must focus on controlling financial functions over legislative functions and must be able to operate without absolute compliance.

“Recently more and more enterprises organized abroad by American firms have arranged their corporate structures aided by artificial arrangements between parent and subsidiary regarding intercompany pricing, the transfer of patent licensing rights, the shifting of management fees, and similar practices [...] in order to reduce sharply or eliminate completely their tax liabilities both at home and abroad.”

President John F. Kennedy, 1961

“With a global minimum tax in place, multinational corporations will no longer be able to pit countries against one another in a bid to push tax rates down and protect their profits at the expense of public revenue. They will no longer be able to avoid paying their fair share by hiding profits generated in the United States… in lower-tax jurisdictions. This will level the playing field and make America more competitive. And it will allow us to devote the additional revenue we raise to making generational investments, which are necessary to keep America’s competitive edge razor sharp in today’s global economy.”

President Joe Biden, 2021

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GLOSSARY OF ACRONYMS

APAs	Advanced Pricing Agreements
ATAD	Anti-Tax Avoidance Directive
BEAT	Base Erosion and Antiabuse Tax
BEPS	Base Erosion Profit Shifting
CbC	Country-by-Country
CbCR	Country-by-Country Reporting
CIT	Corporate Income Tax
DEMPE	Development, Enhancement, Maintenance, Protection, or Exploitation
DRD	Dividends Received Deduction
EATR	Effective Average Tax Rate
EMTR	Effective Marginal Tax Rate
ETR	Effective Tax Rate
FASB	Financial Accounting Standards Board
FDII	Foreign Derived Intangible Income
FHTP	Forum on Harmful Tax Practices
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GILTI	Global Intangible Low-Taxed Income
IASB	International Accounting Standards Board
IP	Intellectual Property
LOB	Limitation on Benefit
MAP	Mutual Agreement Procedure
MLI	Multilateral Instrument
MNEs	Multinational Enterprises
OECD	Organization for Economic Co-Operation and Development
PPT	Principal Purpose Test
R&D	Research and Development
SEC	Securities and Exchange Commission
TCJA	Tax Cuts and Jobs Act

CHAPTER ONE: INTRODUCTION

The aim of this research is to explore the role of culture in the creation and implementation of accounting standards across contrasting cultural and economic environments. Specifically, this research explores the hypothesis that culture influences the economic behavior of accountants, and therefore should be taken into consideration when developing accounting standards to be implemented on a multinational scale. For the purpose of this thesis, culture will be defined as “norms and beliefs [that influence] people’s perceptions, dispositions and behaviors,” (Khilf, 2016). In light of this definition, I will use Hofstede’s Cultural Dimensions as a framework to describe and assess different facets of cultural identity and their theorized impact on the accounting profession. Hofstede’s framework is relevant to this discussion because it was developed as a means of explaining the variation in business behaviors in subsidiaries of international corporations; pertinent criticisms of Hofestede’s work will also be taken into account, along with other cultural frameworks that may provide further insight into accounting behaviors in an international business environment (Koleœnik, 2014).

In order to refine the investigation of the relationship between culture and accounting behaviors, this research will focus on one specific example of international accounting policy. The centerpoint of this thesis will be a regulatory framework developed by the Organisation for Economic Co-Operation and Development, henceforth referred to as the OECD. The OECD is an intergovernmental coalition of 38 member countries whose primary mission is to facilitate a free and equitable global market. The OECD and G20, another prevalent intergovernmental economic forum, together released the Inclusive Framework on Base Erosion Profit Shifting or “BEPS,” which will be the focal point of this research. BEPS refers to evasive tax planning strategies that allow corporations to reduce their taxable income by shifting significant portions of their basic earnings to countries with lower effective tax rates. BEPS creates large inequities between developed and developing countries, especially in the case of developing countries that rely on corporate tax revenues, as multinational companies are able to avoid the payment of such funds. The OECD's Inclusive Framework on BEPS is a relevant focus for this research because it represents regulatory circumstances in which many countries of varying cultural composition are asked to achieve a common outcome (the elimination of BEPS) through a common set of standards (the Inclusive Framework). Throughout this thesis, the efficacy of these common standards will be evaluated in order to assess whether there is a demonstrable need for heightened consideration of cultural dimensions in the development of successful multinational standards.

Furthermore, this research will assess the OECD's Inclusive Framework on BEPS through a lens of neoliberalism, specifically with reference to the relationship between accounting policies and the development of international economies. Neoliberalism is an economic theory that "human well-being can best be advanced by liberating individual entrepreneurial freedoms" and is often "characterized by strong private property rights, free markets, and free trade," (Zhang, 2011). Much literature exists positing a correlation between neoliberal economic trends and specific developments in the accounting profession, with the crux of this argument being that deregulation of markets creates greater variety in the interpretation of accounting standards by individuals and institutions. These trends and their relationship to accounting will be taken into account and evaluated as a determining factor in the cultural response of accountants to accounting regulation. Additionally, neoliberalism will be addressed as a factor in heightening the impact that accounting policies– and the variances within and between them– have on the trends and activities of global economies.

For the scope of this thesis, the evaluation of the cultural awareness and neoliberal characteristics of the Inclusive Framework on BEPS will be limited to two member countries of the OECD; the United States and Germany. Focusing the research on these two countries will allow for a greater depth of evaluation and specificity in assessing cultural responses to the Inclusive Framework on BEPS. The United States and Germany have been chosen for this investigation because of the high amount of trade and inter-company transactions that occur between these two countries, thus making effective economic interactions crucial. The US State Department describes Germany as "one of the United States' closest and strongest Allies in Europe" citing "40 million Americans of German heritage [that] live in the United States, comprising the largest ethnic ancestry group of the United States" and bilateral trade in 2019 that "totaled nearly $260 billion" (U.S. Department of State, 2021). Additionally, the US and Germany have contrasting cultural dimensions and domestic accounting regulatory environments, making them ideal subjects to compare variation in the implementation of the Inclusive Framework on BEPS. With regards to Hoftede's cultural dimensions, the US and Germany largely fall on opposite sides of the spectrum for key cultural characteristics that define the business behaviors in each country (Koleœnik, 2015). Furthermore, the two countries have markedly different methods of creating and implementing accounting standards domestically. Whereas the United States is a code law country, with accounting standards promulgated by precedents and regulated by accounting boards, Germany is a common law country, with accounting standards presented as part of the national legislation and codified by the government (Ernstberger, 2008).

Throughout this investigation, the goal of the research is to determine whether or not there is a need for greater cultural consideration in the formulation of accounting standards. This will be accomplished through the evaluation of the following questions;

1. To what extent do Hofstede's cultural dimensions create tension in the implementation of accounting standards on an international scale?

2. In what ways do neoliberal trends remain relevant in international accounting regulation, and how do policies of this character influence the implementation of the Inclusive Framework on BEPS?
3. What differences exist in the perception of the Inclusive Framework on BEPS in the US and Germany, and to what extent can these disparities be attributed to cultural dimensions?

In order to assemble information related to these questions, I will compile and assess secondary data to identify the qualities of the US and Germany's respective treatments of the Inclusive Framework on BEPS, as well as the observable differences between the responses of the two countries. I will analyze key data points related to the implementation of the Inclusive Framework on BEPS, such as annual corporate tax revenues and corporate effective tax rates in the US and Germany since the adoption of the framework. Based on this analysis, I will draw conclusions concerning the form, substance, and effectiveness of each country's response to the BEPS project.

To complement the secondary data, I will gather primary data through interviews with accounting professionals and experts from the United States and Germany. Through the course of these interviews, I will seek to gain insights on both the de jure characteristics of the accounting profession (legal requirements of standard setting and implementation, political trends, etc.) and de facto characteristics of the accounting profession (workplace culture, popular attitude towards the profession, lenience within the implementation of standards, etc.) with regards to each country respectively. These interviews will emphasize current trends in accounting policies and the impact of neoliberalism on the implementation of these policies, in particular the alleged "race to the bottom" observed in recent years wherein many standard setting bodies across the globe are consistently seeking to minimize the regulation of their respective accounting professions (Alford, 1993). I will specifically pursue these insights in the context of the Inclusive Framework on BEPS, and will seek to identify similarities or differences with the conclusions drawn from the secondary data.

Ultimately, this thesis will develop a conclusion on whether the OECD's Inclusive Framework on BEPS is effective in its methods of international regulation, in particular within the context of the United States and Germany, or if it would benefit from adjustments with regards to cultural differences in order to better achieve its objective. The remainder of this chapter will be concerned with existing literature pertinent to the relationship between culture and accounting. Chapter 2 will analyze institutional-level data concerning BEPS implementation and neoliberalism. Chapter 3 will convey and assess individual-level data concerning the perception of the BEPS project. Finally, Chapter 4 will present a conclusion on the effectiveness of the Inclusive Framework on BEPS with regards to culture.

LITERATURE REVIEW

Systems of accounting can often be taken for granted as static rules and rote procedures that regulate economic transactions and keep corporations in line. However, literature surrounding the relationships between culture, neoliberalism, and the global economy suggest that accounting is much more than that; it is the living, breathing heart of our financial systems, irrevocably intertwined in the history of the global economic network, and undoubtedly a key factor in determining its future. In the course of exploring and evaluating these complex relationships concerning culture and accounting, there is a question we must first ask; do societal conditions influence accounting standards, or do accounting standards influence societal conditions? In other words, which came first: the chicken or the egg?

CULTURE AND ACCOUNTING: AN INTRODUCTION TO HOFSTEDE

To address this question, we begin with a theoretical framework to define specific components of culture that are prevalent to the practice of accounting. Perhaps the most widely accepted such framework is Geert Hofstede's cultural dimensions. Hofstede developed this framework by conducting surveys of "employee attitudes" in IBM subsidiaries in over 60 countries from the year 1968 to 1973 (Koleœnik, 2014). The results of this research were compiled into four original sets of characteristics, with one additional characteristic introduced later as a result of subsequent research, that "can be used to describe general similarities and differences in cultures around the world"; high vs. low power distance, strong vs. weak uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, and long-term vs. short-term orientation, which Hofstede added in the early 2000's (Koleœnik, 2014).

Power distance refers to "the degree of equality or inequality between people in a country" with a high power distance indicating that "inequalities of power and wealth are prevailing in the country" (Khilf, 2016). Within the context of a business environment, power distance reflects the degree to which a hierarchical order is established and accepted between employees and managers. Both the qualities of prevalence and acceptance of inequalities are critical when assessing the degree of power distance within a country. A high power distance culture contains both structural/institutional and individual/personal systems that place value on observing a strict hierarchy, even when the outcomes of this hierarchy are undesirable for some members of society.

Uncertainty avoidance describes the extent to which "people tolerate uncertainty and ambiguity" (Khilf, 2016). Strong uncertainty avoidance represents a relatively low acceptance of uncertainty, and often correlates to "more law institutions and regulations" in a country as well as managers that are "more risk averse and… concern[ed] with cost" in the business environment (Khilf, 2016). Variations in uncertainty avoidance have many direct impacts on the accounting profession due to the prevalence of estimation in financial reporting. It stands to reason that estimated costs and liabilities (ex. depreciation, allowance for bad debts, warranty payable) will be reported higher in strong uncertainty avoidance countries than in weak uncertainty avoidance countries. On the other hand, estimated revenues and assets (ex. fair value of intangible and plant assets, work in process inventory) will be reported lower in strong uncertainty avoidance countries than in weak uncertainty avoidance countries.

Individualism vs. collectivism represents “the degree to which a country supports individual or collective achievements” and a preference for either “loose” or “tight social ties” (Khlif, 2016, Koleœnik, 2014). Countries that score highly for individualism typically value individual rights and achievements, whereas countries that score highly for collectivism expect individuals to operate in the interest of the group regardless of personal cost. Business managers in highly individualistic countries can be expected to behave in their own self-interest with little regard for the well-being of shareholders, which may lead to behaviors such as earnings manipulation (Khilf, 2016). Conversely, managers and employees in high collectivism cultures are often more receptive to complying with principles that produce unfavorable personal outcomes in the interest of greater wellbeing for the overall corporation or for society at large.

The cultural dimensions of masculinity and femininity refer to the value that countries place on traditionally masculine and feminine roles. Highly masculine cultures value performance, emphasizing traits such as “achievement, heroism, assertiveness, and material success” (Koleœnik, 2014). By contrast, highly feminine countries value “quality of life,” emphasizing traits such as “cooperation, modesty, and caring for the weak" (Koleœnik, 2014). These dimensions also relate to the expected behavior of managers in a business environment, as managers scoring highly for masculinity tend to behave with more aggression and less regard for the wellbeing of employees or compliance with regulations in order to meet business and personal goals.

The fifth and final trait of Hofstede’s cultural dimensions is long-term vs. short-term orientation. This dimension refers to the time horizon that an average member of a given cultural group will take in making a decision (Khilf, 2016). Long-term orientation yields decisions that take into account future consequences, and often consider factors such as regulations and the terms of their enforcement more heavily. Short-term orientation is correlated to decisions that emphasize immediate goals and deadlines without consideration for long-term ramifications.

CULTURE AND ACCOUNTING: ADDITIONAL MODELS

In addition to Hofstede's cultural dimensions, several derivative models exist that further theorize on the relationship between culture and accounting behaviors. S.J. Gray expanded on Hofstede's work in the late 1980's by "introducing a framework for analyzing the developments of accounting systems by using accountant's value systems" (Koleœnik, 2014). Gray's model hinges on the expectation that societal values (specifically those defined by Hofstede's cultural dimensions) directly influence the values of accountants operating within those societies, and that in turn there is a relationship between the organization of the accounting profession in a given country and the values of the accountants in that country. Gray's model centers Hofstede's original four cultural characteristics as "societal values" (power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity) and argues that these values influence four "accounting values"; professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency (Koleœnik, 2014). Furthermore, Gray posits that external forces, ecological influences, and institutional consequences create feedback relationships between societal values, accounting values, and, ultimately, accounting systems. A brief discussion of Gray's accounting values follows.

Professionalism vs. statutory control refers to whether an accountant prefers to exercise a high level of professional judgment in their work, or if they would rather work in compliance with more prescriptive legal and regulatory guidelines (Koleœnik, 2014). Essentially, this value describes the degree of regulation accountants prefer over their professional environment. Uniformity vs. flexibility describes a country's accounting environment as a whole, specifically whether the accountants prefer uniformity between different companies in that country, or if they are accepting of inter-company flexibility (Koleœnik, 2014). Conservatism vs. optimism is related to Hofstede's dimension of uncertainty avoidance, and measures the amount of skepticism accountants use in relying on a prediction of future events (Koleœnik, 2014). Finally, secrecy vs. transparency describes the degree of disclosure that is considered appropriate in a country. High secrecy countries believe that only those closely involved in a business should have access to its accounting information, whereas high transparency countries believe in more public availability of accounting information (Koleœnik, 2014). See Appendix Figure A-1.

Another model that aims to supplement Hofstede's cultural dimensions is S.H. Schwartz's Dimensions of Value. As the name of the framework implies, Schwartz's model focuses on the values and "'ethic' dimensions of culture" (Koleœnik, 2014). Schwartz defines seven cultural values, as follows; conservatism, intellectual autonomy, affective autonomy, mastery, hierarchy, egalitarian commitment, and harmony (Koleœnik, 2014). These values are then combined into two overarching cultural dimensions; autonomy vs. conservatism and hierarchy/mastery vs. egalitarian commitment (Koleœnik, 2014). Schwartz's model suggests that these two dimensions can be used to define and predict the behaviors of members of a given culture, specifically in the context of understanding the business environment.

CULTURE AND ACCOUNTING: EVALUATING THE MODELS

Having established the principles of the three prevailing models employed to explain the relationship between culture and accounting (Hofstede, Gray, and Schwartz), it is now relevant to assess prominent criticisms and weaknesses of these models and evaluate whether they are appropriate for the scope of this investigation. In performing this evaluation, it is important to center the driving question of this literature review; do societal conditions shape accounting standards, or do accounting standards shape societal conditions?

Because the Gray and Schwartz models are derivatives of the Hofstede model, many of the critiques of the latter framework are applicable to the former frameworks as well. Hichem Kilf's 2016 review *Hofstede's Cultural Dimensions in Accounting Research* summarizes important weaknesses of Hofstede's model as they appear in accounting research sampled from 1995-2015. Kilf identifies five main criticisms of Hofstede as follows; "(1) outdated data, (2) assumptions of ethnic homogeneity…, (3) the close connection of cultural dimensions with socio-economic data, (4) the IBM data are not representative of the world; and, (5) the inapplicability of the five dimensions to all countries and cultures" (Khilf 2016). Though relevant in assessing the validity of Hofstede's model as a whole, criticisms (1), (4), and (5) can be disregarded for the scope of this thesis as they are not directly applicable to the United States or Germany, where the focus of this research lies. An elaboration on this logic follows.

Khilf's criticism concerning the fact that the data underlying Hofstede's model has not been updated since it was collected over thirty years ago is certainly a valid one. However, Khilf theorizes that this potential for being outdated is mostly relevant with regards to the "human development perspective" (Khilf, 2016). This perspective suggests that "economic success acts as a vehicle for cultural development [which] lead[s] to more liberal social values," meaning that countries that have experienced "significant changes" in their "state of development" over the last thirty years may have undergone demonstrable shifts in their cultural dimensions since Hofstede's framework was established (Khilf, 2016). While the United States and Germany have by no means been stagnant in their economic systems over the last thirty years, it is also true that neither country has significantly altered their developmental status during this time. Therefore, while there is potential for the cultural dimensions of these two countries to have shifted somewhat since the establishment of Hofstede's model, it is unlikely that the change was so severe as to alter their cultural definitions within the model.

Khilf’s fourth criticism concerning the failure of the IBM data used by Hofstede to provide sufficient information on all regions of the world is similarly inapplicable to the cases of the US and Germany. While it could be argued that the exclusion of countries such as “Algeria, Bolivia, Cuba and Tunisia” in the data collection process negatively impacted the formation of Hofstede’s cultural dimensions by excluding important perspectives, it is clear that sufficient data was collected from the US and Germany (Khilf, 2016). Economically significant subsidiaries of IBM can be found in both the United States and Germany, thus supplying Hofstede’s study with a sufficiently robust sample of each country. Therefore it appears appropriate to assume that, for the US and Germany, the cultural dimensions prescribed are representative of thorough analysis.

Khilf’s fifth criticism is essentially an acknowledgement of the potential applicability of alternative models to Hofstede’s in order to ascertain cultural information; “critics… emphasi[ze] that one can use other types of samples and provide other types of cultural scores for countries” (Khilf, 2016). In this criticism Khilf argues that even where Hofstede’s dimensions are well founded, other cultural metrics may provide important insights as well. As this literature review examines the Gray and Schwartz models in addition to Hofstede’s model, this criticism is appropriately addressed. With Khilf’s first, fourth, and fifth criticisms of Hofstede’s model set aside, the second and third criticisms– which are relevant to the scope of this thesis– must be taken into consideration.

Khilf’s second criticism concerns the “equation of nation states with culture values,” which assumes “ethnic homogeneity in historical or political arrangements of societies,” (Khilf, 2016). This criticism is two-fold; not only does it dispute the assumption that any given country contains a uniform culture that can be quantified by Hofstede’s dimensions, but it also takes issue with the failure to consider “cross-border cultures" such as the “Basques in France and Spain,” (Khilf, 2016). R.F. Baskerville’s 2003 work *Hofstede Never Studied Culture* argues that this false equation of nations to culture is a result of Hofstede’s failure to sufficiently address two major issues of cross-cultural comparison; “classifications and definitions" and “the problem of sampling and the units of comparison," (Baskerville, 2003). Baskerville argues that because Hofstede failed to establish truly independent variables in his studies (i.e. there is overlap in culture both between and within the nations observed), his dimensions are not sociologically or anthropologically valid.

Baskerville goes on to explore another defect with Hofstede's model that Khilf names as his third criticism; the "close connection" between the cultural dimensions and socio-economic data (Khilf, 2016). This criticism points to Hofstede's dependence on socio-economic information external to his primary research in the development of his dimensions, which calls into question whether the dimensions "relate more to... strengths and opportunism of different nations rather than national culture" (Khilf, 2016). Baskerville identifies several specific examples of this dynamic, such as the relationship between power distance scores and the education and class status of Hofstede's interview participants, the correlation between uncertainty avoidance scores and both the age of participants and national death rate/accident statistics, and the relationship between individualism, social mobility, and press freedom (Baskerville, 2003). Baskerville concludes this evaluation with the assertion that "the dimensions identified by Hofstede describe characteristics of different nations, most of which could be identified as socio-economic in origin… and much socio-economic data may reflect mechanisms of social organization… which may be epiphenomenal to historical origins" (Baskerville, 2003).

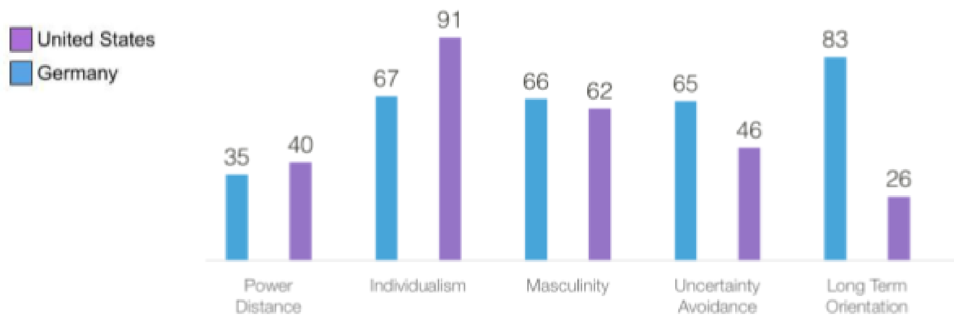
The problem with these critiques is that both Baskerville and Kilf presuppose a purely cause and effect relationship between societal/cultural characteristics and the accounting environments that develop within these societies. That is to say, arguing that socioeconomic data or characteristics of cultural diversity are insufficiently addressed in Hofstede's model ignores the impact that the dimensions defined by Hofstede have on these qualities. There is literary precedent for viewing accounting activities as a prevalent causal force in shaping a country's socioeconomic and cultural development; Prem Sikka argued in her 2015 article that "everyday accounting practices are deeply implicated in the inequitable distribution of income and wealth," in the United Kingdom (Sikka, 2015). Sikka goes on to describe how "accounting calculations and discourses" in the UK "prioritise the interests of capital over labour" which, in tandem with "tax avoidance" facilitated by accountancy firms for "corporations and wealthy elites" has "skewed distribution of income of wealth and further constrained the state's capacity to reflate the economy," (Sikka, 2015). In essence, Sikka argues that the indicated accounting practices have increased the United Kingdom's cultural dimension of *power distance* or, rather, the cultural conditions that define high power distance. These dynamics demonstrate that there is not a simple linear relationship between culture and accounting practices; it is a two-way street, a feedback loop. It is insufficient to say that the culture-chicken laid the accounting-egg (or that the accounting-egg hatched the culture-chicken), as Baskerville and Khilf's criticism would suggest. Productive evaluation of the relationship between culture and accounting acknowledges the back-and-forth between the two. Herein lies the utility of the Hofstede model, despite its flaws. By quantifying and assigning vocabulary to the channels through which culture and accounting interact (i.e. the cultural dimensions), these relationships can be more effectively quantified and analyzed.

Finally, we return to the Gray and Schwartz models to assess weaknesses in these theories beyond those inherent from their integration of the Hofstede model. The Gray model provides a helpful framework for conceptualizing the flows of influence between societal values and accounting systems. However, the complexity and technicality of the Gray model makes it impractical to use as a direct means of analyzing trends in accounting data and developments. On the other side of the spectrum, the Schwartz model's focus on "the 'ethic' dimension of culture" is highly conceptual, making it somewhat difficult to apply to practical information (Koleœnik, 2014). As a result of this Schwartz's model is "less popular in this field of study" than Gray or Hofstede, although there are some applications of the Schwartz model available in literature (Koleœnik, 2014). Ultimately, for the intention of this thesis in analyzing the impact of culture on the implementation of the OECD's Inclusive Framework on BEPS, the Schwartz model is not sufficiently adept at capturing quantitative effects. With these considerations in mind, the remainder of the literary review and research will be centered around Hofstede's cultural dimensions.

CULTURE AND ACCOUNTING: EVALUATING THE UNITED STATES AND GERMANY

We will now examine the United States and Germany in light of Hofstede's model in order to determine the character of each country's cultural dimensions. In proceeding with this evaluation, attention will be given to the important implications of the prescribed dimensions. Figure 1, produced by Hofstede Insights, an international management group based upon cultural dimension theory, compares the cultural dimension scores of the United States and Germany. This comparison shows that while the US and Germany have relatively similar rankings in power distance and masculinity, their individualism and uncertainty avoidance metrics vary considerably and the long term orientation metric poses the most dramatic contrast between the two countries. Khilf 2015 summarizes key relationships between cultural dimensions and accounting outcomes based on aggregate empirical research from 1995 to 2015. High masculinity was associated with "low disclosure environments and aggressive accounting manipulations," uncertainty avoidance was associated with "improved disclosure practices," and long-term orientation was associated

Figure One: Cultural Dimensions of the United States and Germany



with higher levels of disclosure (Khilf, 2015). Importantly, these dynamics may be reflected on several levels within each country; for one, in the systems and institutions existing prior to the BEPS project, for another in the individual behaviors within these systems, and finally in the changes made to these systems in order to accommodate the OECD's Inclusive Framework on BEPS.

HISTORY OF ACCOUNTING SYSTEMS IN GERMANY AND THE UNITED STATES

Equipped with an understanding of Hofstede's cultural dimensions and their relationship to the development of accounting systems, we can now analyze how the accounting environments in both Germany and the United States were formed. The primary purpose of this historical survey is to analyze the differences between the accounting systems in the US and Germany and reach an understanding of how these differences developed. In the course of this evaluation, it is important to keep in mind the ways in which culture is both influential to and influenced by accounting systems.

The German accounting system as it exists today began in earnest in the early sixteenth century with the publication of the "first German manuscripts on bookkeeping" (Fülbier, 2015).

These manuscripts established important accounting conventions, such as the adoption of double-entry bookkeeping (Fülbier, 2015). Notably, these early regulations were codified into local laws, effectively creating legal requirements for the ways accountants had to perform and report their work. An example of this can be found in “the first formal rules on debt contracting” which were enacted by “municipal laws in southern German towns,” (Fülbier, 2015). In the twentieth century major advancements were made in the codification of German accounting regulation in response to the Great Depression, primarily in the form of the Stock Corporation Law of 1931 (Fülbier, 2015). This law mandated “a specific layout” for important financial statements such as the “balance sheet and income statements” and increased disclosure requirements concerning “financial position and performance” (Fülbier, 2015). The cumulative effect of this progression of German accounting is the creation of a code-law environment where “accounting principles and rules” are “enacted by legislature and codified in the German Commercial Code” (Ernstberger, 2008).

By contrast, the history of accounting in the United States is moreso a story of privatized standard setting, which allowed accountants to take more liberties in how they interpreted and implemented regulations. The modern American accounting environment was largely forged by political controversy surrounding the regulation of railroads in the nineteenth and twentieth centuries (Baker, 2017). In the face of mixed political interests arguing for either stronger or weaker regulation of the railroad industry, the federal government created the Interstate Commerce Commission (ICC) in the late 1880’s (Baker, 2017). The ICC developed standardized accounting regulations for railroad companies, including requirements concerning recording depreciation expense and the cost of new equipment (Baker, 2017). By creating a private body to set accounting standards instead of legislating them directly, the federal government set the precedent of a common-law accounting regulatory environment that is still in place today in the US.

Like Germany, the United States established much of their modern accounting regulations in response to the Great Depression. Instead of addressing the wide variation in accounting practices caused by “both company management and professional accountants reject[ing] uniformity of accounting standards” through creating legislation to standardized these practices as the Germans did, in the United States the Securities and Exchanges Commission (SEC) formed the Financial Accounting Standards Board (FASB) Conceptual Framework (Baker, 2017). The SEC was formed in response to the stock market crash of 1929, with the FASB and its conceptual framework following as efforts to “reduce diversity in accounting practices” (Baker, 2017). The FASB Conceptual Framework is composed of three levels; (1) recognition and measurement concepts (assumptions, principles, and constraints), (2) qualitative characteristics and elements, and (3) objectives (Baker, 2017). These concepts in turn guide the Generally Accepted Accounting Principles, or GAAP.

What might account for the differences between the ways these two countries regulate their accountants? Hofstede would argue that the cultural dimensions of the United States and Germany were a driving force in determining the character of their accounting systems and, by extension, in distinguishing them from one another. For example, Germany’s high uncertainty avoidance dimension encouraged higher degrees of regulation; thus the code-law regulations that leave very little up to chance or interpretation. The US’s individualism, on the other hand, encourages autonomy and individualistic thinking, which created a need for an accounting environment that allows professionals to make decisions for themselves and perform their jobs, to a certain extent, as they please.

The relevant question, then, is whether or not culture remains an important factor in shaping accountant behavior. The “feedback loop” model of cultural influence on accounting is evident in the history of these systems, but now that the systems are established do professionals simply operate within their constraints? Or is there still an active role of determination being played by the cultural dimensions of these professionals? In order to ascertain whether culture is still relevant to the determination of accounting behaviors, we must turn our lens to neoliberalism and its implications on the accounting profession.

NEOLIBERALISM AND ACCOUNTING

Ying Zhang’s 2011 article *Accounting and Neoliberalism: A Critical Reading of IASB/FASB's Conceptual Framework for Financial Reporting 2010* introduces the character and prevalence of neoliberalism as such; “the reorganisation of the level of interaction between state and economy over the last 40 years has seen policies of privatisation, marketisation, and deregulation promoted globally, … lifting restrictions on the way businesses conduct themselves nationally and internationally. These phenomena have often been described as neoliberal transformations– or neoliberalism.” It is commonly held that the era of neoliberalism was ushered in by the administrations of Margaret Thatcher in the UK and Ronald Reagan in the US in the late 1970’s and early 1980’s, respectively (Sikka, 2015). The economic objectives of these governments centered around the ideology that “human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey, 2005). This ideology manifested itself through policies such as “curbs on trades unions rights [and the] dismantling of trade barriers and exchange controls to... encourage mobility of capital” (Sikka, 2015).

On the other hand, Germany was somewhat later to the game of neoliberalism than the United States, or the UK, for that matter. Although neoliberalism took much the same form in Germany as it did in the United States, developing “the function of weakening trade unions, eroding the welfare state and undermining wage regulations,” these trends did not begin in earnest until the early 1990’s after the reunification of the German Democratic Republic into the Federal Republic of Germany (Brenner, 2000). This relative delay in the development of neoliberalism in

Germany influenced the character of these policies to be more reactionary than the earlier, more initiatory policies in the US. The quality of being initiatory vs. reactionary as demonstrated in the US vs. Germany may in and of itself be indicative of an important trend in the policymaking and regulation of each country. Neoliberalism in Germany is frequently categorized as a result of *Standort Deutschland*, the name given to locational politics with reference to Germany by which "economic competition is viewed as a struggle not between firms but between political jurisdictions… to fix mobile forms of capital investment within their boundaries," (Brenner, 2000). Essentially, the neoliberal policies in Germany sought "to bring the German political system more closely into alignment with regulatory standards within other EU countries" in order to be more economically competitive (Brenner, 2000).

It is relevant to note that today neoliberalism is widely criticized as encouraging "social inequalities and concentrations of wealth and power" and as such "neoliberalism is primarily known, understood, and analyzed by people who are critical of it" (Zhang, 2011, Chiapello, 2017). However, it is not within the scope of this research to determine either the strengths or shortcomings of neoliberalism, and therefore no moral or political value will be assigned to this ideology. That being said, it is imperative to evaluate how the neoliberal deregulation of global markets has impacted the practice and regulation of accounting, and whether this impact has shifted the Hofstedian paradigm for the relationship between culture and accounting. In short, we must ask what the relationship between accounting and culture is and what implications there are for the integration of culture into the accounting apparatus.

Eve Chiapello's 2017 survey *Critical accounting research and neoliberalism* seeks to define how accounting and neoliberalism interact by evaluating references to neoliberalism in accounting journals from 1990 to 2014. Chiapello's work offers two perspectives by which "the contribution made by accounting techniques to neoliberalism" can be studied; the first being of the "actual construction of techniques which are influenced by the neoliberal agenda" and the second being of "the effects of the accounting techniques on the distribution of wealth and power,"(Chiapello, 2017). Essentially, this suggests a similar relationship between accounting and neoliberalism as the one between accounting and culture, with accounting acting as both an influencing and influenced force in a greater feedback loop. An example of this dynamic can be found in the increased relaxing of financial reporting standards by the SEC, both domestically for the United States as well as for foreign companies listing their stock within the US. "The SEC and its supporters appear to view global competition as a 'race to the bottom,' with the winners being countries that offer the least stringent exchange listing (and financial reporting) standards and the most pro-management standards," (Alford, 1993). This deregulation– an agent of neoliberalism, as Zhang would have it– is encouraged at least in part by the desire to streamline accounting methodologies in an international setting, and in turn influences the accounting methodologies to allow for more flexibility and interpretation.

Zhang extends this line of thinking to a critical review of the International Accounting Standards Board (IASB) and Federal Accounting Standards Board (FASB)'s Conceptual Framework for Reporting 2010 (Framework 2010). Framework 2010 is a revision to a previous conceptual framework, Framework 1989, and "the first phase of their [the IASB and FASB] joint project to develop an improved Conceptual Framework (CF)"; an early and important example of accounting regulations formulated with an international scale in mind (Zhang, 2011). Zhang argues that the technical structuring of Framework 2010 is indicative of the "global neoliberal architecture" which seeks to "free global markets of 'local impediments' in order to optimise the conditions for corporations and capital," (Zhang, 2011). For example, Zhang cites changes that Framework 2010 made to the prescribed qualitative characteristics of financial reporting (specifically the transition from "reliability" to "faithful representation") as neoliberal in nature as they are intended to allow for greater discretion to be used in reporting financial information by weakening the degree of accuracy required in the reporting.

Here we find the literature at a contradictory interface in terms of the relationships between international accounting systems. On the one hand we have the neoliberal movement of homogenization in accounting coordination, which is engaged in a "race to the bottom" that supposes that disparate global economies can best be united under uniform, minimalistic regulations (Alford, 1993). As we delve into the OECD's Inclusive Framework on BEPS, we will find that it is characterized by this ideal of unification through homogeny. On the other hand we have the Hofstedian model of culture (with Gray and Schwartz), which asserts that fundamental incongruencies exist in global accounting systems as a result of cultural dimensions. Hofstede's model insinuates that culture not only creates differences in how the accounting systems of different countries are structured, but also in how individual accountants function within a prescribed system. How do these conflicting paradigms interact in the reality of contemporary accounting practices? The remaining chapters of this thesis will be focused on uncovering the nature of this dynamic with reference to a specific case study; the OECD's Inclusive Framework on BEPS, discussed in detail below.

THE OECD AND THE INCLUSIVE FRAMEWORK ON BEPS

The Organisation for Economic Co-Operation and Development (OECD) released its BEPS package consisting of 15 action items aimed at combating Base Erosion Profit Shifting (BEPS) on October 5th, 2015 (Avi-Yonah, 2017). This package was a result of a project launched in 2013 by G20 and the OECD to curb "corporate tax avoidance," (Avi-Yonah, 2017). Heightened concern over corporate tax avoidance was largely a product of "the financial crisis of 2008 and the Great Recession," which saw growing wealth disparity and brought into the spotlight the ability of "tax evasion by rich individuals and tax avoidance by multinational corporations… to undermine the ability of both developed and developing countries to provide adequate social insurance for their citizens" (Avi-Yonah, 2017). In analyzing the work of the OECD in deterring BEPS, it is important to establish what exactly base erosion profit shifting practices are. According to the OECD "BEPS refers to tax planning strategies used by multinational enterprises [MNEs] that exploit gaps and mismatches in tax rules to avoid paying taxes;" for example, moving revenues from a subsidiary in a jurisdiction with high effective tax rates to a subsidiary in a jurisdiction with low effective tax rates, regardless of the real location of the revenue's production (OECD 1, 2021). Ángel Gurría, Secretary-General of the OECD from 2006-2021, said of BEPS "base erosion and profit shifting affects all countries, not only economically, but also as a matter of trust. BEPS is depriving countries of precious resources to jump-start growth [and] tackle the effects of the global economic crisis… beyond this, BEPS has been also eroding the trust of citizens in the fairness of tax systems worldwide," (Avi-Yonah, 2017).

The OECD's Inclusive Framework on BEPS consists of the following 15 action items, which the 141 member countries and jurisdictions of the framework (as of November 2021) are obligated to follow, detailed in Figure 2.

Figure Two: The OECD's Inclusive Framework on BEPS

Recommendations			Minimum Standards		
Action	**Problem**	**Solution**	**Action**	**Problem**	**Standard(s)**
Action One: Tax challenges arising from digitalisation	Rapid developments in the digitalization of the market have created ambiguities in profit origins and created opportunities for profit shifting.	Two Pillar Solution: Pillar One: reallocation of taxing rights from the home country of MNE's to the country of profit origin. Pillar Two: Global minimum corporate tax rate designed to protect tax bases.	Action Five: Harmful tax practices	Preferential regimes have the potential to deteriorate the tax bases of other regimes.	1. The assessment of preferential tax regimes 2. Transparency framework for the exchange of information 3. Substantial activities requirement
Action Two: Neutralizing the effects of hybrid mismatch arrangements	Agreements between jurisdictions with varying tax rates and treatment of financial entities and instruments can be used to deteriorate effective tax rates.	Development of model recommendations and structures to neutralize the effects of hybrid arrangements.	Action Six: Prevention of tax treaty abuse	The ubiquity of bilateral tax treaties has led to "treaty shopping" where individuals reap benefits between jurisdictions they do not reside in, thus undermining tax sovereignty.	Inclusion in tax treaties of: 1. An express statement on non-taxation 2. The implementation of an approved method to stop treaty shopping

Recommendations			Minimum Standards		
Action	**Problem**	**Solution**	**Action**	**Problem**	**Standard(s)**
Action Three: Controlled foreign company (CFC)	The ability of taxpayers to diminish the tax base of their country of residence by shifting profits into a foreign company they control	Recommendations regarding the development of CDC laws to protect domestic tax bases.	Action Thirteen: Country-by-country reporting	The lack of data reporting standards has made the identification and elimination of BEPS practices difficult.	A template for MNE's to report their earrings for each tax jurisdiction they do business in, along with pertinent supplementary information.
Action Four: Limitation on interest deductions	MNE's can achieve favorable tax outcomes through aggressive planning of debt levels and debt holdings.	Establishment of rules that link net interest deductions to income produced within a jurisdiction.	Action Fourteen: Mutual agreement procedure (MAP)	Globalization of profits and labor creates uncertainties regarding which jurisdictions can tax which types of income.	21 elements and 12 best practices focused on; 1. Preventing disputes 2. Availability and access to MAP 3. Resolution of MAP cases 4. Implementation of MAP agreements
Action Seven: Permanent establishment status	The definition of a "permanent establishment" in tax treaties dictates which jurisdictions profits can be taxed in; therefore this definition is critical to protecting tax bases.	Changes to the definition of "permanent establishment" that restrict opportunities to erode tax bases in jurisdictions where profits materially originate.			
Actions Eight- Ten: Transfer Pricing	The globalization of the economy has heightened the prevalence of international inta-group transfers, making rules regarding the pricing of transfers critical and exposing vulnerability to manipulations.	Recommendations on transfer pricing regulations for: 8) Intangibles 9) Risks and Capital 10) High-Risk Transactions			
Action	Lack of high-level	Development of			

Recommendations			Minimum Standards		
Action	**Problem**	**Solution**	**Action**	**Problem**	**Standard(s)**
Eleven: BEPS data analysis	data concerning the practice and effects of BEPS.	data sets and analytical tools to monitor and measure BEPS practices and the effectiveness of mitigation strategies.			
Action Twelve: Mandatory disclosure rules	It is imperative for jurisdictions to have timely and relevant information concerning vulnerabilities to BEPS.	Development of a disclosure framework designed to provide information on aggressive tax strategies and potential offenders.			
Action Fifteen: Multilateral Instrument	A need for governments to be able to effectively communicate modifications to tax agreements in response to BEPS provisions as well as relevant tax developments.	The multilateral instrument coordinates tax communication between jurisdictions by negating the need to renegotiate the terms of BEPS treaties for each financial agreement.			

Notably, while eleven of these action items represent either development initiatives for member countries or recommendations from the OECD and its subsidiary research groups, the remaining four action items contain specific standards ("Minimum Standards") that member countries are required to incorporate into their domestic accounting practices. It is relevant to note that in addition to implementing the minimum standards, the member countries of the framework are also required to participate in peer reviews of these standards. These four action items, discussed in detail below, represent the concrete regulations set forth by the OECD's Inclusive Framework.

Action Five: Harmful tax practices is a result of work done by the OECD Forum on Harmful Tax Practices (FHTP) beginning as early as 1998 (OECD 2, 2021). The primary focus of this action item is on preferential tax regimes, or practices that cause inequitable taxation due to their favorable treatment of certain activities or entities. Central to the minimum standard of Action Five is the Transparency Framework, which regulates the exchange of information between jurisdictions in order to minimize the potential for harmful tax practices. The Transparency Framework is comprised of four key elements; i) the information gathering process, ii) the exchange of information, iii) confidentiality of information received, and iv) statistics (OECD 2, 2021). The Framework dictates that "jurisdictions should undertake compulsory spontaneous exchange of information on the tax ruling within the scope of the transparency framework," specifically requiring that "a domestic legal framework" be in place to allow for reporting information related to tax rulings categorized as "taxpayer-specific rulings… advanced tax rulings… [or] advance pricing arrangements" (OECD 2, 2021, OECD 3, 2015). The statistics requirement of the transparency framework is of particular relevance to this research, as it intended to enable effective comparison of the degree of different country's disclosure practices. Specifically, countries are required to report the "total number of spontaneous exchanges sent under the framework… the number of spontaneous exchanges sent by category of ruling… [and] for each category of ruling exchange, a list identifying which jurisdictions information was exchanged with" (OECD 2, 2021).

Action Six: Prevention of tax treaty abuse looks to address relevant characteristics of international tax treaties that create vulnerability to BEPS practices, perhaps the most prevalent of which is the practice of "treaty-shopping" (OECD 4, 2021). Treaty-shopping refers to taxpayers attempting to "indirectly access the benefits of a tax treaty between two jurisdictions without being a resident of one of those jurisdictions," an exploitative practice that has been enabled by the near-ubiquity of international treaties between jurisdictions as a function of the global market (OECD 4, 2021). Action Six seeks to address this issue by requiring countries to include provisions designed to curb tax abuse in their treaties (OECD 4, 2021). The required provisions include "an express statement on non-taxation" and "one of three methods of addressing treaty shopping" which are as follows; i) a principal purpose test (PPT) coupled with a version of the limitation on benefit (LOB) model provided by the OECD, ii) the PPT alone, or iii) a detailed version of the LOB model coupled with an additional mechanism to address further anti-abuse matters (OECD 4, 2021).

Action Thirteen: Country-by-country reporting requires multinational enterprises (MNEs) "to prepare a country-by-country (CbC) report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which it operates" (OECD 5, 2021). This reporting requirement is designed to address "the lack of quality data on corporate taxation [which] has been a major limitation to measuring the fiscal and economic effects of tax avoidance, making it difficult for authorities to carry out transfer pricing assessments on transactions between linked companies" (OECD 5, 2021). According to the OECD, the 2021 aggregate CbC data provided "information on the global tax and economic activities of nearly 6000 multinational enterprise groups headquartered in 38 jurisdictions and operating across more than 100 jurisdictions worldwide" (OECD 5, 2021).

Finally, *Action Fourteen: Mutual agreement procedure (MAP)* "seeks to improve the resolution of tax-related disputes between jurisdictions" (OECD 6, 2021). The OECD reports an increase in recent years of "novel challenges relating to international taxation," such as the effects of digitalization and globalization, thus necessitating "robust dispute resolution processes" (OECD 6, 2021). Action Fourteen addresses this need through the provision of a minimum standard consisting of "21 elements and 12 best practices, which assess a jurisdiction's legal and administrative framework" in four key areas; 1) preventing disputes, 2) availability and access to MAP, 3) resolution of MAP cases, and 4) implementation of MAP agreements (OECD 6, 2021). Furthermore, similarly to other minimum standards under the BEPS Inclusive Framework, under Action Fourteen member countries agree to a peer review process to evaluate standard implementation as well as reporting standards for statistics related to MAPs (OECD 6, 2021). Statistics required for reporting under Action Fourteen include i) Number of pre-2016 cases in MAP inventory on 1 January of the reporting year, ii) Number of pre-2016 cases closed during the reporting period (including a description of the outcome) iii) Number of pre-2016 cases remaining in MAP inventory on 31 December of the reporting year, and iv) Average time taken (months) to close pre-2016 cases during the reporting period (OECD 6, 2021).

Having established the primary tenants and the quantitative and qualitative metrics of the OECD's Inclusive Framework on BEPS, the remainder of this thesis will be dedicated to investigating the impact that Hofstede's model of culture has on the implementation of these regulations in the United States and Germany, respectively. In conducting this investigation, the primary concern will be determining the extent to which the Hofstedian cultural features of the accounting apparatus interact with neoliberal trends in economic policies in the implementation of international tax regulation. The Inclusive Framework resides on the fault line between two seemingly oppositional theories; on the one hand, that accounting behavior is fundamentally differentiated by cultural background, and on the other hand, the neoliberal ideal that the market behaves best under minimalistic and monolithic regulation. The methodology of this research will seek to evaluate the character of this fault line and ultimately determine whether the Inclusive Framework is successful in balancing the theoretical duality, or if effective modern accounting necessitates more culturally-informed regulation.

METHODOLOGY

This thesis will utilize methods of both primary and secondary research in order to answer the following research questions:

- *Question One:* To what extent do Hofstede's cultural dimensions create tension in the implementation of accounting standards on an international scale?

- *Question Two:* In what ways do neoliberal trends remain relevant in international accounting regulation, and how do policies of this character influence the implementation of the Inclusive Framework on BEPS?
- *Question Three:* What differences exist in the perception of the Inclusive Framework on BEPS in the US and Germany, and to what extent can these disparities be attributed to cultural dimensions?

The primary research will be conducted through a series of interviews with accounting professionals and experts from both the United States and Germany. Accounting professionals refers to individuals who actively practice within the accounting profession (ex. Certified public accountants, attorneys), and therefore hold insights into the current operations and conditions of the accounting apparatuses in the countries of interest. Accounting experts refers to individuals such as policy analysts and advisors, makers and enforcers of regulations, or other individuals with first-hand insights that are relevant to understanding the big-picture trends of accounting on the American, German, and international stages, as well as the potential implications of these trends. The secondary research will primarily consist of analyzing qualitative and quantitative data concerning the corporate behaviors of the United States and Germany. This data will be gathered from the OECD's Corporate Tax Statistics database, which aggregates information and issues annual reports containing important figures relevant to the implementation of the Inclusive Framework on BEPS, as well as through surveys of high-level individuals in MNEs. This primary and secondary data will be interrogated independently as well as through the lense of Hofstede's cultural dimensions in order to reach conclusions on each research question.

Question One will be answered through an interrogation of the responses of the US and Germany to the BEPS project, and a subsequent consideration of how the differences between these two environments can be explained by Hofstede's cultural dimensions. This analysis will be conducted primarily through a comparison of secondary data, including the policy responses of the US and Germany to the OECD's standards on BEPS, as well as relevant corporate taxation statistics from each jurisdiction. The differences in both the quantitative and qualitative data will be assessed in order to delineate the cultural influence on each country's actions, as well as the implications of these actions for both the success of the BEPS project as well as for equitable international taxation in general.

Question Two will be answered with respect to the neoliberal characteristics of the OECD's BEPS project, as well as the relationship between these characteristics and Hofstedian cultural dimensions. Question Two will be investigated through an analysis of the differences in the implementation of the Inclusive Framework on BEPS in the United States and Germany to the extent that the neoliberal paradigm is at play. Ultimately, the objective of Question Two is to reach an understanding of the extent to which the OECD's BEPS project is neoliberal in nature, as well as the impact of this approach on the efficacy of the regulations.

Finally, *Question Three* will investigate the perception of the Inclusive Framework on BEPS in the US and Germany and seek to understand the factors that cause differing views of the framework in each country. Question Three will primarily be explored through individual-level data which will lend insights to positive and negative attitudes towards the BEPS project, the impact that the BEPS project has had on the day-to-day operations of the accounting profession, and the implications of the BEPS project on future accounting developments. These outcomes will be achieved through a combination of primary and secondary data, including interviews with accounting professionals and experts and survey responses of high-level decision makers collected by Deloitte.

Ultimately, this methodology is designed to reach conclusions that will contribute to the literature a perspective on the ways in which the Hofstedian metrics of culture foster discrepancies in the practice of international accounting regulations, as well as the effects of these discrepancies. The outcomes of this research will identify areas of inconsistency in the implementation of the OECD's Inclusive Framework on BEPS and delineate the extent to which culture is a driving factor in these inconsistencies. From these conclusions, this thesis will seek to contribute insights on creating more effective international legislation with a consideration for cultural differences in the accounting environment.

NOTES ON RECENT DEVELOPMENTS IN THE BEPS PROJECT

In framing this research, it is important to note that the field of tax regulation is evolving very rapidly. Many developments in the BEPS project have occurred since the onset of this research; where possible these new issues will be referenced and analyzed to the extent that they can be understood within the greater framework of the BEPS project. Perhaps the most important of these new developments is the "BEPS 2.0" project, passed by the OECD in October of 2021 (KPMG 1, 2021). BEPS 2.0 is a two-pillar guide to key international tax reforms, with the pillars being 1) Profit Allocation and Nexus and 2) Global Minimum Taxation (KPMG 1, 2021). The intention of Pillar One is to "align… taxing rights more closely with market engagement" by allocating more taxing rights to "the end-market jurisdiction where goods or services are used or consumed… irrespective of any physical presence in those jurisdictions" (KPMG 1, 2021). The Pillar Two function "establishes a global minimum taxation regime through a series of interlocking rules" which, in unison, essentially establish a standard floor for taxation at 15% across the globe (KPMG 1, 2021). The global minimum tax set forth by Pillar Two has created an especially large global impact, including an endorsement from President Joe Biden in the 2022 State of the Union address; "Last year, 55 of the Fortune 500 companies earned $140 billion in profit and paid zero in federal taxes… that's why I proposed a 15% minimum tax rate for corporations… and that's why in the G7 and other meetings overseas we were able to put together… 130 countries to agree on a global minimum tax rate," (Biden, 2022). This thesis will remain primarily focused on the 2015 Inclusive Framework on BEPS; however, as the research unfolds, some attention will be drawn to more recent developments such as BEPS 2.0 in order to develop a robust perspective on the implications of the BEPS project moving forward.

CHAPTER TWO: INSTITUTIONAL-LEVEL RESPONSES TO THE BEPS PROJECT IN THE US AND GERMANY

The following chapter presents and analyzes the outcomes of the OECD's project on BEPS as observed through legislative action, as well as the economic impacts of these actions, on an institutional level in the United States and Germany. This analysis is designed primarily to address research questions one and two: 1) *To what extent do Hofstede's cultural dimensions create tension in the implementation of accounting standards on an international scale?* 2) *In what ways do neoliberal trends remain relevant in international accounting regulation, and how do policies of this character influence the implementation of the Inclusive Framework on BEPS?* The data presented in this chapter finds significant relationships between the Hofstedian cultural dimensions of the US and Germany and the differences in the approach each country has taken to the issue of BEPS. Specifically, the US's strong dimension of independence is evident through the substance and form of the Tax Cuts and Jobs Act (TCJA), which was presented as an alternative to adopting the OECD's BEPS project outright. On the other hand, Germany's response is characteristic of its more long-term and collectivist oriented perspective, resulting in a significantly higher degree of compliance with the OECD's BEPS project than is observed in the US. Additionally, the implications of these responses for neoliberalism will be examined, with an emphasis on the relationship between the neoliberal paradigm and cultural perspectives on authority. Finally, this institutional-level research analysis will conclude by introducing the concepts the individual-level research in Chapter Three will further address in order to reach a conclusion on whether or not cultural differences have prevented the BEPS project from successfully preventing predatory tax practices. As the institutional-level research unfolds, several key questions must be kept in mind; How have the US and Germany followed or refuted both the intention and the design of the OECD's Inclusive Framework on BEPS? How have these domestic actions in the face of international policymaking succeeded or failed at protecting tax revenue bases? And, perhaps most importantly, how can differences in these actions be explained and abated to the extent necessary to achieve the goals of the BEPS project?

BEPS IMPLEMENTATION IN THE UNITED STATES

Upon first glance, the question of how the US has integrated the BEPS project into their domestic policy appears to have a simple answer; it hasn't. At the conclusion of the OECD's deliberations which produced the Inclusive Framework on BEPS the US "stated that it was already in compliance with all BEPS minimum standards and therefore other than country-by-country reporting it had no further BEPS obligations" and furthermore "refused to join the multilateral instrument to implement BEPS into tax treaties, and did not join the common reporting standards to further automatic exchange of information" (Avi-Yonah, 2017). Although the US "did adopt BEPS provisions in its model tax treaty" these provisions have not yet been enacted in any actual treaty (Avi-Yonah, 2017). The US's refusal to pursue change or compliance in accordance with the Inclusive Framework outside of superficial measures led "the European Union to call [the United States] a tax haven" and caused "most observers believe that the United States has abandoned the BEPS effort" (Avi-Yonah, 2017).

Despite the US's overt disavowment for the OECD's standards on BEPS, there has been a notable, if somewhat contradictory, shift in US tax policy that appears largely correlated to global efforts to end BEPS; the Tax Cuts and Jobs Act (TCJA) of 2017. In the process of drafting and passing the TCJA "the US Congress was practically silent on BEPS… and indeed, some member's statements about the [BEPS] Project were overtly hostile," (Herzfeld, 2019). Nevertheless, the TCJA is comprised of many measures that mimic, mirror, or even extend the Inclusive Framework on BEPS, alongside some measures that oppose the BEPS project altogether

(Herzfeld, 2019). A comparison of the TCJA to the Inclusive Framework on BEPS reveals that "the two efforts, both of which resulted in major changes to international tax rules, were driven by vastly different visions of what reform of the international tax system needed to achieve" (Herzfeld, 2019). The Republican led Congress of 2017 and the Trump Administration described the objectives of the TCJA as "making the country's tax rules 'competitive' and leveling the playing field in order to make 'America the jobs magnet of the world'" which stands in contrast to the OECD's goals for "international reform" which focused on "fairness and fiscal stability," (Herzfeld, 2019).

BEPS IMPLEMENTATION IN THE UNITED STATES: THE TCJA VS. THE INCLUSIVE FRAMEWORK ON BEPS

Among the most notable of the changes made by the TCJA is the reduction of the US corporate tax rate from 35% to 21%, the 100% dividends received deduction (DRD), and the provisions for global intangible low-taxed income (GILTI), base erosion and anti-abuse tax (BEAT), and foreign-derived intangible income (FDII), explained in detail below (Silbering-Meyer). In evaluating the different provisions of the TCJA, it is important to draw comparisons with the Inclusive Framework on BEPS in order to understand the alignment and misalignment of these two policies.

Figure Three: The TCJA vs. The Inclusive Framework on BEPS

Tax Cuts and Jobs Act		Inclusive Framework on BEPS	
Section	**Effects**	**Action**	**Purpose**
267A	Disallows deductions for interest or royalty payments that are not included in the recipient's income (Silbering-Meyer) Disallows the 100% DRD for hybrid dividends (Silbering-Meyer)	#2	Minimize hybrid mismatch agreements by which entities are categorized differently in different jurisdictions in order to reap tax benefits.

Tax Cuts and Jobs Act		Inclusive Framework on BEPS	
Section	**Effects**	**Action**	**Purpose**
915A	Requires US shareholders of foreign corporations to report GILTI (Global Intangible Low-taxed Income) in their gross income (Silbering-Meyer) GILTI subjects most foreign earnings to US taxation, net of a maximum foreign tax credit which is equal to 80% of total foreign taxes paid (Herzfeld)	#3	Prevent the erosion of tax bases that occurs when profits are shifted to CFCs (Controlled Foreign Corporations)
163(j)(i)	Limits annual deductions on business interest to the sum of business interest income, 30% of adjusted taxable income, and the floor plan financing interest (Silbering-Meyer)	#4	Limit the capability of MNEs (Multinational Enterprises) to achieve favorable tax outcomes through aggressive debt structuring and planning
250	Allows US taxpayers that earn income from licensing intellectual property to foreign entities to deduct up to 37.5% of this income (known as foreign derived intangible income or FDII) (Silbering-Meyer) Intends to encourage US-owned MNEs to centralize their IP in the United States (Silbering-Meyer)	#5	Dismantle preferential tax regimes which encourage profit shifting and predatory tax practices * Section 250 of the TCJA is considered by many to be in opposition to Action #5 of the IF on BEPS *
482	Imposes a minimum tax, called BEAT (base erosion and anti-abuse tax) on deductible payments to related foreign persons in order to de-incentivize such payments as a form of profit shifting (Silbering-Meyer)	N/a	Section 482 of the TCJA doesn't relate to a specific action of the IF on BEPS but rather relates to the framework's purpose as a whole

Section 250 of the TCJA, which establishes the deduction for FDII, is especially important to highlight in comparison to the OECD's framework. Whereas many notable sections of the TCJA effectively mimic the OECD's work, section 250 and the FDII deduction directly oppose Action #5 and was deemed by the OECD to be a potentially harmful preferential tax regime. In the OECD's guidance on intellectual property (IP) regimes, specifically the challenge of linking the costs and benefits of intangible property, a "consensus was reached on the 'nexus approach'" whereby taxpayers are able to "benefit from an IP regime only to the extent that the taxpayer itself incurred qualifying R&D (research and development) expenditures that gave rise to the IP income," (Silbering-Meyer, 2018). By contrast, the TCJA is more concerned with "encourag[ing] US MNEs to locate their IP in the United States" and accomplishes this by creating an effective tax rate of only 13.125% on FDII by allowing for a 37.5% deduction of foreign derived intangible income (Silbering-Meyer, 2018). The OECD's Forum on Harmful Tax Practices (FHTP) deemed FDII "potentially harmful," but the Biden administration's promise to repeal FDII has granted this regime the status of "in the process of being dismantled" in the eyes of the FHTP, despite the fact that Biden has been yet unsuccessful in pushing through tax reform (Silbering-Meyer, 2018). Concerns over FDII and the change in administration raise an interesting question concerning the longevity of the BEPS project; as political power changes hands, not only in the US but across the world, how can the effort to abate BEPS be preserved?

BEPS IMPLEMENTATION IN GERMANY

Germany has taken a much more straightforward and traditional approach to implementing the Inclusive Framework on BEPS than the US. This is in part because of Germany's membership in the European Union and the requirements that accompany this membership, but also because the pre-existing federal regulatory environment in Germany contained relatively robust precautions against predatory tax practices. The German government (specifically the Federal Ministry of Finance, or *Bundesministerium der Finanzen)* takes the position that prior to the BEPS project the regulatory environment of the federal government was already inhospitable to opportunities for tax abuse. Therefore, the international scale and attention of the OECD's efforts were deemed to be in Germany's interest to the extent that the competitive advantage of jurisdictions with predatory tax practices would be eliminated. The provisions that existed in German tax law to deter profit shifting prior to the BEPS project– either implemented independently or in accordance with their responsibility as a member of the EU– are detailed in Figure Four.

Figure Four: German Regulations pre-BEPS Project vs. The Inclusive Framework on BEPS

German Regulation Pre-IF on BEPS		Corresponding OECD Objective	
Regulation	**Purpose**	**Action**	**Purpose**
EU VAT (Value Added Tax) Directive	Grants the right of taxation to the location where value is added (i.e. where goods are sold, services rendered, etc.) and establishes a minimum tax of at least 15% on such transactions	#1	Address tax issues arising from digitalisation, specifically through reallocation of tax rights and global minimum corporate taxes
EBITDA (Earnings Before Income Tax, Depreciation, and Amortization)- Related Interest Deduction Limitation	Annual net interest expense deductions for a corporation is limited to 30% of EBITDA	#4	Limit the capability of MNEs (Multinational Enterprises) to achieve favorable tax outcomes through aggressive debt structuring and planning
PPT Laws and Anti-Abuse Measures Included in Treaties	Applies domestic anti-abuse laws to treaties and prevents double non-taxation through a treaty override	#6	Prevent the abuse of treaties as a means of obtaining favorable tax outcomes which reduce tax revenue base
Arm's Length Principle Established in German Law	Requires that all pricing is determined on an objective, logical basis; ensures parity of pricing in transactions	#8-10	Regulates transfer pricing for intangibles, risks and capital, and high-risk transactions in order to minimize vulnerability to manipulations
Arbitration Clauses Included in Treaties	Requires prescribed resolution procedures if and when conflicts over taxing rights arise	#14	Addresses uncertainties arising from the globalization of labor and profits by establishing which jurisdictions are permitted to tax what income

In addition to these BEPS-mitigating measures that were in place in Germany prior to the OECD's recommendations, several courses of action have been taken in response to the BEPS project in order to further protect against profit shifting. Specifically, Germany has signed the Multilateral Instrument (MLI) set forth by the OECD, which the US notably declined to join, and has fulfilled the EU requirement of adopting the EU's Anti-Tax Avoidance Directive (ATAD). The MLI entered development in February of 2015 and was officially signed by Germany along with seventy other governments in the first official signing ceremony on June 7th, 2017 (OECD

7, 2018). Per the OECD, Germany officially submitted its "instrument for the ratification for the Multilateral Instrument" in December of 2020, thus integrating the tenants of the instrument into German law. The MLI serves as the OECD's primary mechanism to guide and enforce concrete actions to deter BEPS and implement the Inclusive Framework. The MLI is primarily focused on strengthening treaties against BEPS and includes provisions to "protect governments against tax avoidance strategies that inappropriately use tax treaties to artificially shift profits to low or no tax locations" by "transposing into existing tax treaties jurisdictions' commitment to minimally include in their tax treaties tools to ensure that these treaties are used in accordance with their intended object and purpose," (OECD 7, 2018). Essentially, the MLI is a framework for signatories to comply with Inclusive Framework action items 15, 14, 7, and 6.

The European Anti-Tax Avoidance Directive (ATAD) is designed to "provide a minimum level of protection for the EU market and ensure a harmonized and coordinated approach in the EU to the implementation of some of the recommendations under the OECD BEPS project" specifically action items 2, 3, and 4 (Deloitte 1, 2017). In addition to creating "harmonization" for components of the Inclusive Framework on BEPS such as "interest expense deductions, controlled foreign companies, and hybrid mismatches," the ATAD also includes requirements for two measures that are not part of the BEPS project, namely "the introduction of a corporate general anti-abuse rule" as well as an exit tax (Deloitte 1, 2017). Between the MLI and the ATAD, Germany is classified by the OECD as being well above the threshold of compliance for efforts against BEPS. The German Federal Parliament, Federal Council, and Federal President approved the ATAD on June 25th, 20201 and the measure was officially published into law on June 30th, 2021 (EY, 2021).

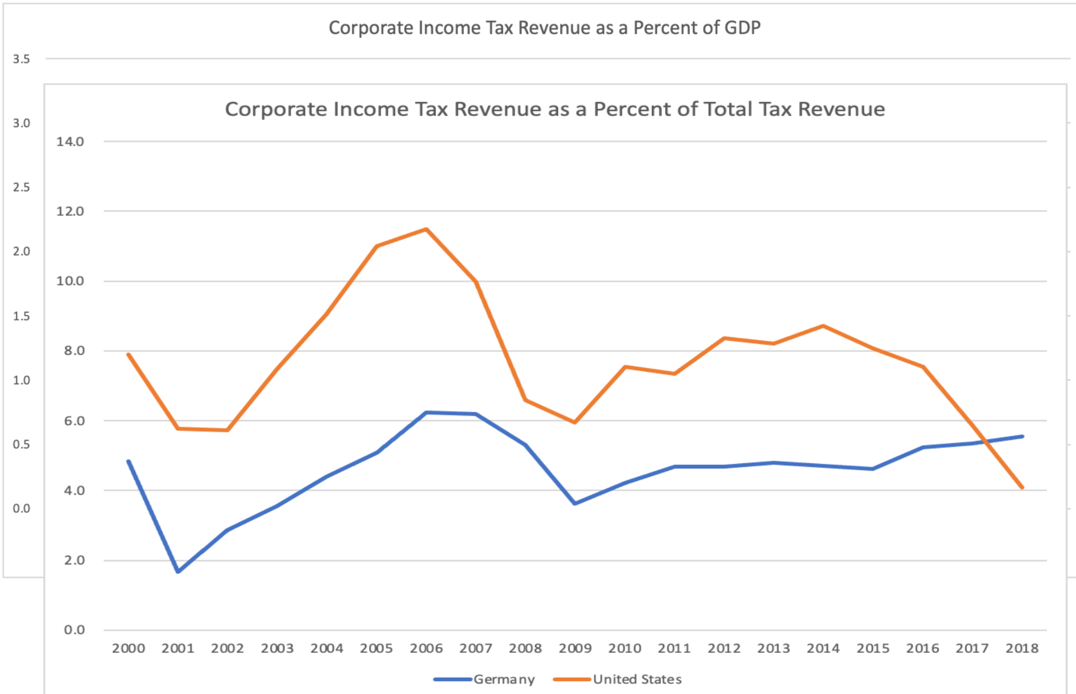
DATA ANALYSIS: COMPARING THE IMPLEMENTATION OF THE BEPS PROJECT IN THE US AND GERMANY

Quantifying BEPS behaviors and the reaction of these behaviors to policy proves to be a somewhat difficult task. There is no single statistical measure that can fully capture the magnitude or the impact of profit shifting. This is due largely to the fact that profit shifting behaviors by nature are designed to disguise themselves as legitimate financial maneuvers, and often take advantage of loopholes or other difficult-to-detect mechanics in order to avoid setting off alarm bells. The OECD's report on Action 11 takes this a step further, stating "one of the biggest challenges to developing and interpreting indicators is that BEPS 'taints' available measures of real economic activity," thus presenting "a serious limitation that is difficult to overcome" (OECD 8, 2015). As a means of addressing this challenge, the OECD publishes the Corporate Tax Statistics Report which combines a handful of BEPS measures and indicators that cumulatively provide insights into changes in BEPS behaviors over time. The following data is taken from the OECD's corporate statistics database, a free-access digital resource, and insights towards interpreting this data are taken from the third edition of the Corporate Tax Statistics Report, published in 2021.

DATA ANALYSIS: CORPORATE INCOME TAX REVENUE

One important metric for analyzing economic trends related to BEPS is corporate income tax revenue, both as a percent of GDP and as a percent of total tax revenue. According to the OECD, "corporate tax revenues are driven by the economic cycle. For the period 2008-18, average corporate tax revenues [for all OECD member countries] as a percentage of GDP reached their peak in 2008 (3.6%) and declined in 2009 and 2010 (3.3% and 3.2% respectively), reflecting the impact of the global financial and economic crisis." Figure Six depicts trends in corporate income taxes in the US and Germany from the years 2008 to 2018 (latest available data).

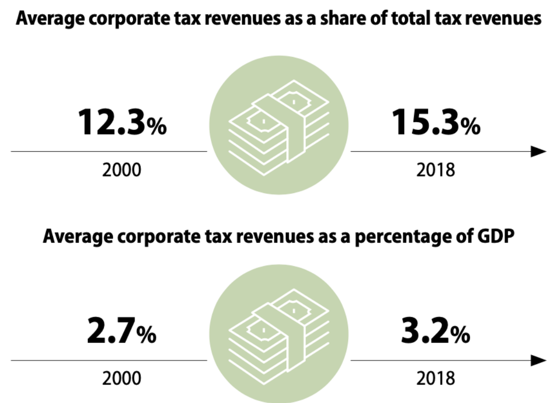
Figure Five: Corporate Income Tax Revenue as a Percent of GDP



This data reflects a sharp decrease in corporate tax revenues following the 2008 financial crisis, as noted by the OECD for both the US and Germany; from 2007 to 2009 Germany's corporate tax revenue as a percentage of GDP dropped 0.86% (from 2.19% to 1.33%) while in the US it dropped 1.31% (from 2.67% to 1.37%). Notably, the US exhibits another major drop in tax revenues beginning in 2014 and continuing on through 2018, comprising 1.262% over five years without a corresponding drop in Germany's revenue.

Figure Six: Corporate Income Tax Revenue as a Percent of Total Tax Revenue

The graph of corporate income tax revenue as a percent of overall tax revenue paints a



similar picture as revenue as a percent of GDP, with clear indicators of the 2008 financial crisis and significant changes in American financial trends beginning around 2014. The OECD notes that "across jurisdictions… low tax-to-GDP ratios may reflect policy choices as well as other challenges associated with domestic resource mobilization (e.g. administrative capacity and levels of compliance)," shedding light onto potential reasons that the US has undergone such a dramatic change in corporate tax revenues as a percent of GDP in the last decade. In addition to comparing the US and Germany to one another, it is important to consider how these two countries measure up against average metrics across the OECD member countries. The OECD reports an average share of corporate taxes to total tax revenues of 15.3% for 2018, and an average share of corporate taxes to GDP of 3.2%, placing both Germany and the US significantly below average for both measures.

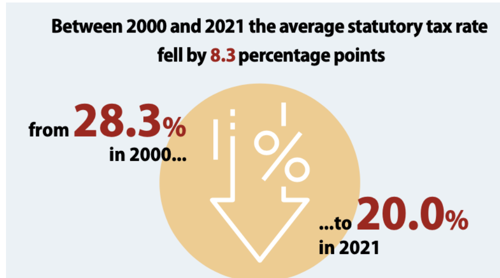
Figure Seven: Average OECD Corporate Tax Revenue Statistics

In interpreting this data, it is important to note that the OECD does not consider corporate tax revenues alone as a significant indicator of BEPS, stating "differences in corporate tax revenues as a share of total tax revenues should not be interpreted as being related to BEPS behavior, since many other factors are likely to be more significant, although profit shifting may have some effects at the margin." Some of these factors include statutory corporate tax rates, which will be subsequently assessed, as well more complex variables such as "the degree to which firms in a jurisdiction are incorporated, the breadth of the CIT [Corporate Income Tax] base, the current stage of the economic cycle…, the extent of reliance on other types of taxation…, and other instruments to postpone the taxation of earned profits." Although this corporate tax data does not yield direct information for quantifying BEPS, it does bring up important areas of interest to be considered in harmony with other data; perhaps most notably the dramatic changes in American financial makeup which appear to be related to changes in policy or resource mobilization, and may have important implications for the pervasiveness of profit shifting behaviors.

Figure Eight: Trends in Average Statutory Tax Rate

DATA ANALYSIS: STATUTORY CORPORATE INCOME TAX RATES

According to the OECD, "statutory tax rates measure the marginal tax that would be paid on an additional unit of income… they are often used in studies of BEPS to measure the incentive that firms have to shift income between jurisdictions." The supporting logic of this dynamic is that corporations will always seek to shift their earnings downstream, so to speak; to artificially or



otherwise locate their profits in the jurisdiction with the lowest-possible income tax rate. Therefore, when a high or average-tax jurisdiction lowers its tax rate, it minimizes the incentive for domestically held firms to move their profits out of the jurisdiction. Likewise, when a low-tax jurisdiction lowers its tax rate, the incentive for foreign-held firms to shift profits into the jurisdiction increases. The closer that jurisdictions collectively trend towards the global average tax rate, the less incentive there will be for BEPS. This is the logic that underpins the movement for a global minimum income tax, a major focus of the OECD's continued development of anti-BEPS measures. Over the last two decades the average statutory tax rate has fallen 8.3%, representing a decrease in tax rate in 93 jurisdictions, a consistent tax rate in 13 jurisdictions, and an increase in tax rate in 4 jurisdictions.

Figure Nine: Corporate Income Tax Rate

The US corporate tax rate, which had been consistent at 35% for over 15 years, was lowered to 21% by the TCJA in 2017– slightly higher than the OECD member country average of 20% as of 2021. The German corporate tax rate, on the other hand, underwent a period of fluctuation from 2000 to 2008 with a cumulative drop from 42.4% in 2000 to 15.8% in 2008, due in part to a 2001 tax reform designed to encourage international competitiveness, as well as in response to the financial crisis in 2008. The OECD furthermore considers the combined corporate income tax rate of member countries, which integrates central tax rates (ex. Federal rate) with subcentral tax rates (ex. State and local rates), less deductions allowed for subcentral tax payments.

The combined CIT rates for Germany and the US follow similar patterns of change as the statutory CIT rates, with the primary difference being a narrower magnitude of change in both country's rates over time. On the surface, these tax rates appear to be contrary to the

Figure Ten: Combined Corporate Income Tax Rate Over Time

findings of the CIT revenue vs. total tax revenue and CIT revenue vs. GDP data; if the US has a

CIT rate– and combined CIT rate– above the OECD average, why does it report relatively low CIT revenue? However, as the OECD points out in the Corporate Statistics Report, the CIT rate of any given country is not necessarily the best representation of the actual taxation faced by corporations in that country. Preferential tax regimes, discrete distributed earnings tax rates, industry-specific tax rates, and progressive rate structures or regimes can all shift the tax liability of a corporation away from the CIT rate (OECD 9, 2021). The OECD especially emphasizes the importance of preferential tax regimes "in understanding how standard corporate tax rates do not always capture the incentives that may exist to engage in BEPS behavior." In light of this, it is important to recall that the OECD considers the FDII provision of the TCJA to be a preferential tax regime– and one that, despite the official status of being "in the process of being amended," has yet to undergo reform from the Biden Administration. The prevalence of this preferential tax regime, among other factors, indicates that statutory CIT does not provide a full picture of corporate taxation in the US, nor in many other OECD member states. Therefore, although statutory CIT does grant insights into the incentivization of profit shifting in a given jurisdiction, effective tax rates must be examined in order to draw conclusions concerning the actual impacts of taxation on corporations.

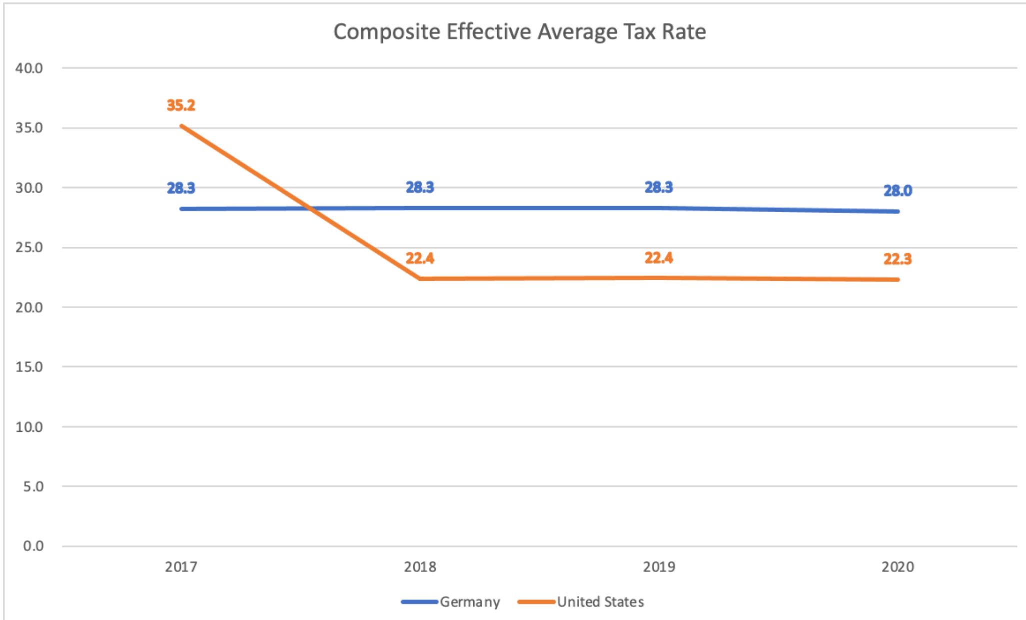
DATA ANALYSIS: CORPORATE EFFECTIVE TAX RATES

The OECD presents two distinct measures of effective tax rate (ETR) in order to assess actual taxation of corporations; effective marginal tax rate (EMTR) and effective average tax rate (EATR). EMTRs “measure the extent to which taxation increases the pre-tax rate of return required by investors to break even” and “is used to analyze how taxes impact the incentive to expand existing investments” in a given jurisdiction (OECD 9, 2021). In other words, the EMTR represents the amount of each gross dollar that investors need to recoup in order to recover their investment in a corporation in a particular location. EATRs “reflect the average tax contribution a firm makes on an investment project earning above-zero economic profits” and “is used to analyze discrete investment decisions between two or more alternative projects,” (OECD 9, 2021). Essentially, the EATR measures the expected tax liability on a profitable enterprise in a given jurisdiction, inclusive of factors that may differentiate this rate from the corporate income tax rate.

Figure Eleven: Formula for the Calculation of Effective Average Tax Rate

$$EATR = \frac{(\text{Economic profit}\ {}^{\text{pre-tax}}_{\text{NPV}}) - (\text{Economic profit}\ {}^{\text{post-tax}}_{\text{NPV}})}{(\text{Net income}\ {}^{\text{pre-tax}}_{\text{NPV}})}$$

Figure Twelve: Composite Effective Average Tax Rate

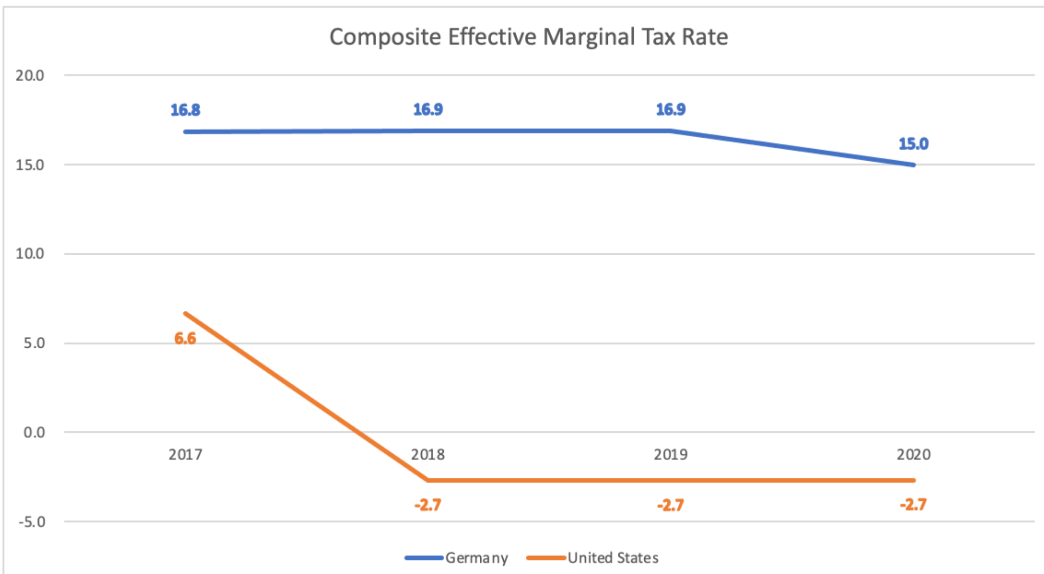


EATRs tend to diverge from CITs for a number of reasons. Generosity of tax depreciation is a major factor, with more lenient depreciation policies (i.e. depreciation allowed for tax purposes being a generous representation of actual depreciation) driving the EATR below the CIT; this is known as accelerated tax depreciation (OECD 9, 2021). Using combined CIT as a benchmark, the OECD points out that the US has the largest difference of any OECD member state between CIT and ETR due to fiscal acceleration (i.e. accelerated tax depreciation), with a difference of 3.5%. In assessing the EATR rates of the US and Germany, it is important to emphasize that these rates are indicative of taxation within each respective jurisdiction. In order to analyze this data as an indicator of BEPS we must compare the EATR of each country with the effective taxation faced by their domestically held foreign MNEs; when MNEs consistently shift their profits to jurisdictions of lower effective tax rates, BEPS is likely occurring.

Figure Thirteen: Formula for the Calculation of Effective Marginal Tax Rate

$$EMTR = \frac{(\textit{Cost of capital}) - (\textit{Real interest rate})}{(\textit{Cost of capital})}$$

Figure Fourteen: Composite Effective Marginal Tax Rate



Similarly to EATRs, EMTRs are impacted by the acceleration of depreciation, typically to a greater magnitude than EATRs (OECD 9, 2021). For example, Germany's decrease in EMTR in 2019 is due to a revision to tax depreciation laws, allowing for greater acceleration (OECD 9, 2021). Importantly, the US has a negative EMTR; this is a result of debt financing for investment projects, and implies that "the tax system, notably through interest deductibility, reduces the pre-tax rate of return required to break even and thus enables projects that would otherwise not have been economically viable" (OECD 9, 2021). The US is one of 8 jurisdictions out of 77 which possesses a negative EMTR, indicating both competitive debt financing and "comparatively generous tax depreciation rules" (OECD 9, 2021).

DATA ANALYSIS: COUNTRY BY COUNTRY REPORTING

Finally, data concerning corporate tax revenues and corporate tax rates can be synthesized with information gathered through the OECD's country-by-country reporting (CbCR) requirement (Action 13, Action 11) to identify evidence of profits being artificially shifted. Like the other relevant BEPS indicators, CbCR data cannot provide a black and white diagnostic of which countries are partaking in BEPS behaviors and which are not; it can, however, shed light onto important patterns and dynamics that can be interrogated within the greater financial context of each jurisdiction. Figure Sixteen presents the most recent aggregated CbCR data, from 2017.

In the case of CbCR data it is critical to examine the totality of the OECD's reporting jurisdictions, not just the US and Germany, in order to realize the international dynamics at play. This aggregated CbCR data, taken from the OECD's corporate statistics report, describes how many MNE's were reported under each designated parent jurisdiction and the quantity of resources associated with these MNEs. With this in mind, it is critical to note that the US not only has the highest number of CbCRs by a significant margin, but also that the metrics of Unrelated Party Revenue, Tangible Assets (other than cash), Income Tax Accrued, and Number of Employees are all disproportionately low with regards to the very high CbCR figure. This dynamic presents a relevant indicator of BEPS; when there are a significant number of MNEs filing CbCRs, but these MNEs do not report a corresponding magnitude of unrelated revenue (as opposed to related revenue which can be accrued through BEPS), tangible assets, income tax, or employees, there is a considerable possibility that these MNEs are participating in predatory tax practices. As a point of reference, Germany has less than a third of the CbCRs as the United States (379 vs. 1575), yet reports similar levels of all other relevant metrics. In order to further evaluate the CbCR data of the US and Germany, we can leverage effective CIT rates to determine the degree to which American and German MNEs report in jurisdictions with lower effective taxation. German data indicates that 4,458 CbCRs, or 77% of total CbCRs, of German parent jurisdiction CbCRs are located in jurisdictions with a lower EATR than Germany, with 980 CbCRs (17%) from jurisdictions with higher EATR. For US parent jurisdiction CbCRs, 15,827 or 83% are located in lower EATR jurisdictions while 1,733 (9%) are located in higher EATR jurisdictions.

Figure Fifteen: Aggregated Country-by-Country Reporting Data

	Reporting Jurisdiction	Level of data disaggregation	Number of CbCRs	Unrelated party revenues	Tangible assets (other than cash)	Income tax accrued	Number of employees
1	Argentina	14 individual jurisdictions	15	3 064	2 569	108	10 182
2	Australia	76 individual jurisdictions	125	5 009	4 836	201	12 728
3	Austria	Continents	76	3 934	2 563	51	12 889
4	Belgium	15 individual jurisdictions	55	5 266	3 499	126	12 244
5	Bermuda	95 individual jurisdictions	48	5 181	5 959	91	14 604
6	Brazil	37 individual jurisdictions	84	12 000	9 391	119	21 233
7	Canada	10 individual jurisdictions	210	5 928	6 187	102	14 614
8	Chile	4 individual jurisdictions	30	5 132	3 831	85	23 400
9	China	119 individual jurisdictions	264	22 235	24 445	485	78 785
10	Denmark	109 individual jurisdictions	64	5 504	2 544	100	19 692
11	Finland	All foreign jurisdictions combined	53	4 298	1 668	50	10 742
12	France	84 individual jurisdictions	209	12 066	5 855	277	41 639
13	Germany	157 individual jurisdictions	379	9 061	5 056	151	23 474
14	Greece	Continents	19	13 888	6 265	- 15	17 190
15	India	162 individual jurisdictions	165	4 684	6 807	129	29 978
16	Indonesia	33 individual jurisdictions	27	3 497	6 820	116	19 492
17	Ireland	All foreign jurisdictions combined	56	7 056	2 894	133	26 008
18	Isle Of Man	Continents	5	1 519	915	8	7 534
19	Italy	106 individual jurisdictions	133	4 812	2 362	56	12 269
20	Japan	198 individual jurisdictions	866	7 903	3 682	191	19 501
21	Korea	All foreign jurisdictions combined	233	8 425	6 075	194	15 004
22	Latvia	8 individual jurisdictions	3	423	194	22	2 508
23	Luxembourg	86 individual jurisdictions	129	4 355	1 938	24	12 294
24	Malaysia	30 individual jurisdictions	34	4 882	9 078	224	18 479
25	Mexico	95 individual jurisdictions	69	6 093	5 907	129	31 732
26	Netherlands	All foreign jurisdictions combined	157	11 377	5 970	171	25 911
27	Norway	Continents	59	4 318	4 190	202	7 076
28	Peru	15 individual jurisdictions	7	4 603	1 987	265	26 563
29	Poland	1 individual jurisdictions	33	3 466	3 085	61	15 427
30	Romania	5 individual jurisdictions	3	38	594	13	11 209
31	Singapore	23 individual jurisdictions	63	4 882	5 149	103	12 854
32	Slovenia	4 individual jurisdictions	6	2 338	830	15	5 866
33	South Africa	137 individual jurisdictions	51	7 902	5 287	67	26 678
34	Spain	114 individual jurisdictions	120	7 707	6 695	97	22 544
35	Sweden	Continents	102	5 155	2 479	125	17 919
36	Switzerland	115 individual jurisdictions	71*	9 327	5 430	223	23 995
37	United Kingdom	Continents	394	6 847	4 995	137	22 400
38	United States	141 individual jurisdictions	1575	9 663	5 275	239	23 536

Figure Sixteen: German CbCR versus CIT Rate

	Composite Effective Average Tax Rate	Composite Effective Marginal Tax Rate	Number of CbCRs	Number of Entities	Unrelated Party Revenues	Income Tax Accrued - Current Year	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
Partner Jurisdiction								
Latvia	0.00	0.00	57	81	832,865,890	8,339,993	3,731	251,682,837
Hungary	10.19	4.67	192	583	20,658,152,944	433,231,913	137,473	15,781,636,570
Ireland	12.36	10.51	100	278	10,524,805,229	252,529,806	19,256	5,921,691,762
Lithuania	13.68	5.24	65	107	1,247,757,713	8,224,959	6,635	525,015,822
Turkey	16.63	-4.55	169	356	18,484,547,721	271,883,777	79,593	6,050,327,276
Estonia	17.00	0.00	49	69	883,291,553	4,925,051	4,858	273,523,581
Slovenia	17.50	7.89	89	122	2,959,574,300	35,007,671	14,117	1,430,064,663
United	17.63	7.08	257	2,599	182,119,498,277	1,350,432,672	289,554	71,838,427,587
Czech Republic	17.95	10.25	216	573	45,202,141,596	1,004,030,294	208,901	24,440,298,684
Poland	18.01	11.30	256	858	45,526,979,537	731,936,748	211,260	21,223,113,893
Iceland	19.08	12.51	8	14	132,948,175	4,127,705	346	60,415,610
Slovak Republic	19.33	8.59	153	423	14,426,784,096	381,865,675	100,074	10,250,485,429
Switzerland	19.97	12.10	231	820	48,138,597,367	1,143,113,637	75,205	21,591,623,174
Finland	19.98	16.27	124	253	8,859,096,004	253,806,462	18,872	3,177,624,239
Italy	20.24	-46.18	246	856	76,797,493,541	1,275,219,354	134,008	23,191,790,992
Denmark	20.27	8.40	163	347	13,061,498,455	165,303,289	29,186	4,715,585,520
Sweden	21.02	13.42	181	638	26,336,212,021	289,508,850	58,399	19,667,435,061
Norway	22.35	10.94	117	234	10,471,227,398	229,728,185	18,849	8,390,374,854
Israel	22.55	12.57	43	74	1,581,754,422	44,963,785	5,058	499,369,920
Korea	22.80	12.58	120	231	24,081,120,723	515,599,919	25,948	9,517,679,156
Netherlands	23.14	10.55	238	1,394	56,913,643,833	942,146,304	90,843	27,570,068,618
Spain	23.29	11.81	241	963	54,758,383,212	772,929,591	187,426	22,871,151,806
Portugal	23.41	-21.65	124	242	8,298,869,509	264,167,451	40,448	4,550,970,182
Austria	24.01	16.68	253	999	51,819,155,337	512,730,826	168,398	21,945,604,288
Canada	24.50	9.70	148	376	36,911,016,609	439,711,056	43,256	19,086,970,408
Luxembourg	25.23	12.69	119	497	13,076,835,246	489,523,202	12,521	12,408,454,997
Belgium	27.37	-26.29	197	570	33,730,126,295	1,079,760,139	56,594	15,900,204,318
Greece	27.75	17.85	83	148	7,497,490,335	267,456,081	24,007	5,409,153,788
New Zealand	27.88	23.46	68	146	2,996,273,653	41,969,507	8,127	899,459,524
Australia	28.12	14.85	151	568	31,916,725,320	567,348,477	42,495	7,417,279,788
Germany	28.25	16.85	379	15,621	1,567,487,924,355	24,278,216,359	4,012,874	1,087,354,595,099
Japan	29.60	23.54	131	399	40,450,665,347	1,040,403,717	57,000	11,592,361,572
Mexico	30.07	15.72	155	501	30,180,901,508	1,186,430,851	226,126	15,635,374,856
United States	35.18	6.64	257	4,310	412,661,416,465	4,323,465,995	610,674	210,328,732,920
Chile	35.98	23.82	85	181	4,327,192,207	48,888,487	18,392	2,113,232,469
Colombia	37.38	17.03	70	124	3,210,937,973	78,636,155	15,484	1,092,963,154
France	40.85	8.58	256	1,759	102,597,934,025	1,826,449,483	204,464	39,458,400,138
Costa Rica	43.32	33.37	26	33	432,881,171	12,351,536	3,040	133,859,428

Figure Seventeen: United States CbCR versus CIT Rate

	Composite Effective Average Tax Rate	Composite Effective Marginal Tax Rate	Number of CbCRs	Number of Entities	Unrelated Party Revenues	Income Tax Accrued - Current Year	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
Partner Jurisdiction								
Latvia	0.00	0.00	60	..	218,136,307	-1,643,543	2,146	69,234,004
Hungary	10.19	4.67	306	574	11,810,090,599	97,227,648	78,054	5,507,935,007
Ireland	12.36	10.51	566	2,183	244,971,306,069	4,645,395,090	147,860	88,025,720,276
Lithuania	13.68	5.24	77	..	486,104,494	30,026,732	8,283	345,798,173
Turkey	16.63	-4.55	355	649	24,939,969,045	297,268,842	57,296	5,324,258,011
Estonia	17.00	0.00	75	..	301,391,149	2,983,357	4,660	185,953,662
Slovenia	17.50	7.89	73	..	1,019,126,415	10,567,898	4,279	394,237,933
United Kingdom	17.63	7.08	1,140	15,165	486,655,416,248	10,287,539,581	1,212,807	426,171,617,313
Czech Republic	17.95	10.25	350	620	10,931,397,846	253,636,937	98,790	6,001,157,004
Poland	18.01	11.30	506	1,139	26,255,163,925	569,425,434	237,897	17,117,272,744
Iceland	19.08	12.51	31	..	854,442,011	21,763,077	1,353	816,545,238
Slovak Republic	19.33	8.59	204	..	6,280,075,636	127,979,063	46,495	2,641,232,373
Switzerland	19.97	12.10	597	1,769	180,584,290,524	3,425,255,423	79,928	55,500,733,717
Finland	19.98	16.27	312	546	7,138,230,073	190,762,986	20,605	5,424,054,879
Italy	20.24	-46.18	674	1,826	84,388,203,038	3,605,447,144	182,394	27,105,516,604
Denmark	20.27	8.40	376	838	11,888,159,375	459,461,815	32,279	6,322,817,849
Sweden	21.02	13.42	511	1,261	20,655,531,414	694,134,714	54,794	8,970,245,954
Norway	22.35	10.94	330	743	20,365,280,773	1,897,106,919	32,308	13,808,157,877
Israel	22.55	12.57	282	648	7,607,184,335	585,222,284	59,362	11,734,290,799
Korea	22.80	12.58	560	978	54,724,513,679	1,480,158,484	131,157	24,416,468,143
Netherlands	23.14	10.55	919	5,679	121,488,886,439	5,305,763,288	159,393	68,204,127,683
Spain	23.29	11.81	656	1,888	56,482,628,655	1,037,452,905	174,980	21,904,128,854
Portugal	23.41	-21.65	301	567	7,841,585,852	156,132,317	38,955	2,391,651,938
Austria	24.01	16.68	378	741	13,379,924,216	208,169,911	28,885	4,782,656,367
Canada	24.50	9.70	1,223	6,192	372,914,674,540	6,246,519,589	979,512	194,151,972,307
Luxembourg	25.23	12.69	536	2,612	39,000,473,752	709,268,949	12,553	222,755,512,267
Belgium	27.37	-26.29	550	1,408	64,401,108,252	1,141,805,298	106,179	40,961,059,340
Greece	27.75	17.85	196	319	4,336,043,074	154,720,630	14,937	1,329,777,639
New Zealand	27.88	23.46	420	857	11,599,602,483	281,967,832	28,780	3,323,872,860
Australia	28.12	14.85	808	4,139	122,933,246,256	2,825,099,187	271,545	109,364,840,579
Germany	28.25	16.85	882	4,644	217,467,354,941	5,342,369,881	563,009	78,403,793,551
Japan	29.60	23.54	678	1,712	209,087,886,887	5,274,069,932	390,536	41,960,542,636
Mexico	30.07	15.72	895	3,701	129,527,724,401	4,884,619,668	1,226,718	74,341,683,396
United States	35.18	6.64	1,487	68,184	10,617,982,421,125	262,772,825,731	22,903,463	5,538,478,603,820
Chile	35.98	23.82	378	887	27,832,468,219	633,068,299	125,948	19,478,918,893
Colombia	37.38	17.03	374	676	18,228,515,397	850,469,794	93,463	9,387,938,734
France	40.85	8.58	783	3,694	146,511,170,317	3,199,985,304	377,747	56,764,196,469
Costa Rica	43.32	33.37	198	333	6,076,152,105	157,501,621	90,353	3,767,270,284

CONCLUSIONS

The synthesis of this data provides an imperfect but helpful picture of the trajectory of the BEPS project and BEPS behavior in the US and Germany. Germany presents as the country more in line with the OECD's recommendations; German fiscal policy creates relatively low disparity between statutory CIT and the two effective tax rates, EATR and EMTR, implying consistency of tax policies and less opportunities for predatory financial planning or preferential tax regimes to constitute BEPS behaviors. Additionally, Germany's CbCRs show a relatively higher level of consistency between foreign entities, unrelated party revenues, income taxes, non-cash assets, and employees, which suggests more legitimate MNE behavior. The US contradicts these metrics in almost every manner, with high disparity between statutory and effective CIT rates, and low agreement between CbCRs and indicators of actual revenue generation. Overall, the US has more CbCRs in low-tax jurisdictions than Germany, and also comprises the highest CbCR level of any OECD member state, emphasizing the importance of US-held MNEs to the global economy and international tax syndicate. Cumulatively, this data suggests that the US's de facto response to BEPS, the TCJA, accomplished more or less exactly what it set out to do– cater to the interests of US corporations– without significant unintended consequences of reducing BEPS, as some scholars had hoped was the case. In order to determine the root causes of the rejection of the OECD's Inclusive Framework on BEPS and continued BEPS behavior, as well as relevant implications in Germany, we now move into a consideration of the data in relation to Hofstede's cultural dimensions.

CONCLUSIONS: BEPS RESPONSE AS A FUNCTION OF CULTURAL DIMENSIONS

In order to delineate the role of culture in determining the effectiveness of the implementation of BEPS policies in the US and Germany, first we must establish expectations for how each cultural dimension will influence both the tendency of a country to harbor predatory tax practices as well as the behaviors surrounding the establishment of and response to accounting regulations. The most significant cultural differences between the US and Germany per Hofstede's dimensions are individualism (US 91, Germany 67) and long-term orientation (US 26, Germany 83), with a more subtle difference in uncertainty avoidance with US 46 and Germany 65. High levels of uncertainty avoidance and long-term orientation create an expectation of being receptive to a more stringent and specific regulatory environment (i.e. less tolerance for uncertainty fosters higher tolerance for rules that dictate outcomes) as well as to conditions and regulations that will delay gratification (i.e. sacrifice short term outcomes for long term ones). In the case of the US, very high levels of individualism and very low levels of long-term orientation produce the opposite expectation; a low tolerance for sacrificing short term outcomes or for accepting conditions that produce unfavorable conditions for the individual in favor of the group.

Cumulatively, the US's approach to BEPS compliance does appear to be highly individualistic; instead of simply adopting the common procedures and best-practices set forth by the OECD– or, in many cases, even acknowledging the validity and importance of these standards– discrete legislation was drafted and enacted to adapt the outcomes of the IF to methods deemed legitimate by the Trump Administration. By contrast, many "other countries' legislatures…gave the OECD and its base erosion and profit shifting (BEPS) Project explicit credit in enacting international tax rule changes," as the data shows is the case with Germany (Herzfeld, 2019). Some scholars, such as Herzfeld, argue that the TCJA represents a "success of multilateralism" vis-à-vis the BEPS project; "The 2017 US tax reform supports the notion that ideas and processes developed as part of multilateral engagement can influence individual country law changes, even when those changes do not explicitly adopt the recommendations reached through multilateral agreement" (Herzfeld, 2019). However, we must look to the data to ascertain whether the TCJA is truly a multilateral victory, or if the US's refusal to buy into the

BEPS project has allowed predatory tax practices to persist. The results of the TCJA in lowering corporate tax rates and decreasing the burden of tax revenue on corporations is evident, but profit shifting to low-effective tax rate jurisdictions remains prevalent and disproportionate to economic benefit. It is important to note that there exists a fair amount of scholarly consensus that the BEPS project was primarily formulated to target the predatory tax behaviors of the US; "although the BEPS project was ostensibly about 'multinational' base erosion and profit shifting, it was an open secret that the multinationals whose activities were the target of the Project's recommendations were US resident companies" (Herzfeld, 2019). This dynamic raises an important point; with regards to the implementation of the BEPS project, it is critical to understand both how cultural dimensions influence a country's response to the project, but also how these dimensions inform the conditions in a country prior to the introduction of the project.

By contrast, Germany's response to BEPS, including regulations that existed prior to the OECD's BEPS project, is emblematic of its high level of the long-term orientation cultural dimension and its relatively lower individualism dimension (higher level of collectivism). Both collectivism and long-term orientation stifle incentives for predatory tax behaviors as these behaviors threaten both collective and long-term wellbeing for jurisdictions and associations of jurisdictions, such as the EU. This is not to say that Germany is completely free from BEPS behaviors; the corporate statistics analysis does reveal a significant degree of MNE activity in low-tax jurisdictions, although this is not necessarily predatory behavior, especially when paired with equivalent rates of employment, unrelated revenues, and tangible assets. In defining German response to BEPS, perhaps the most relevant factor is their membership in the EU and the responsibilities that come along with it. This commitment in and of itself demonstrates the political weight of a collectivist attitude.

CONCLUSIONS: IMPLICATIONS FOR NEOLIBERALISM

In evaluating the OECD's strategies towards eliminating BEPS behaviors, elements of neoliberalism become evident. Through the implementation of the Inclusive Framework on BEPS, the OECD essentially seeks to replace or override the wide spectrum of domestic tax policies in place across jurisdictions with a set of streamlined international regulations; to "free global markets of 'local impediments' in order to optimise the conditions for corporations and capital," (Zhang, 2011). However, the data suggests that the common standards of the Inclusive Framework do not create common results when implemented in jurisdictions that fundamentally differ in their attitude towards, and interpretation of, regulations of accounting. This is a problematic conclusion, as a common result– namely, the elimination of BEPS– is precisely the intention of the OECD's Inclusive Framework. This is not necessarily an indication of the neoliberal paradigm shifting, but, rather, an insufficiency of this paradigm to yield the desired outcome. There exists a fundamental disconnect between the advertised goals of the OECD's BEPS project– "fairness and fiscal stability"– and the accepted conditions of neoliberal policies; "citizens experience an increasing disparity in access to resources, income, and wealth… experts denounce the possibility for collective action… or even the existence of a public interest… [and] entrepreneurs accept predatory practices to promote profit, circumventing mutual exchange" (Herzfeld, 2019, Amadae, 2016). In fact, it appears that the objective of the OECD in promoting the Inclusive Framework on BEPS is to reinstate from classical liberal philosophy precisely the "common understanding" that neoliberal philosophy is "divorced" from; the stipulation that "any single individual's sphere of free action… [must] be compatible with others' similar spheres" (Amadae, 2016).

Furthermore, the neoliberal philosophy of actors behaving in their own self-interest creates tensions for the BEPS project when Hofstede's cultural dimensions are considered. In a homogenous environment, the OECD may be able to effectively create regulations that align the self-interest of actors with the elimination of BEPS behaviors. However, because of the wide spectrum of Hofstedian culture that exists in the global economy, no two actors may agree on what constitutes self-interest, making it practically impossible to assemble these disparate views towards a common purpose. This is evident with regards to the responses of the US and Germany to the BEPS project, with each country behaving in such a way that advances their ability to maximize the cultural dimensions they value most highly. The US and Germany exhibit very different operating definitions of freedom and authority; the US values freedom from the authority of the OECD while Germany values freedom from the authority of unchecked corporations.

Based on this analysis, there does appear to be significant correlations between the cultural dimensions of the US and Germany and their responses to the BEPS project on a federal level. In order to more completely analyze the fallout of the OECD's Inclusive Framework on BEPS and the role of culture therein, another layer of response must be analyzed; the individual level. As the literature surrounding cultural dimensions reveals, individuals (such as accountants) and individuals who bear influence over the actions and responses of other individuals (such as managers in accounting firms) play a critical role in propagating a country's cultural profile and determining the ways in which these cultural features will be translate into tangible action. The following chapter will discuss and evaluate primary information taken from interviews of accountants and other professionals who influence the field of accountancy in order to determine the extent to which culture permeates the integration of international regulations in a domestic setting.

CHAPTER THREE: INDIVIDUAL-LEVEL ANALYSIS OF BEPS RESPONSE IN THE US AND GERMANY

Analysis of the US and Germany's BEPS response on a jurisdiction-wide level reveals some key differences. Specifically, analysis of corporate statistics and domestic policy responses in each country suggest a strong Hofstedian component of each country's reaction to the OECD's Inclusive Framework on BEPS. The US, with its refusal of the MLI, the implementation of the TCJA, and low relative corporate tax revenues, exhibits high individualistic and short-term orientation behaviors. Germany, with the acceptance of the MLI and other relevant legislation prescribed by the OECD and the EU, appears more long-term oriented and collectivist. These indicators provide general perspectives into the systemic response of each country; however, it is equally important to consider the individuals that make up these systems and operate within them in order to ascertain the true relevance of cultural dimensions to tax regulation.

This chapter analyzes the responses of individuals to the BEPS project, revealing a high level of agreement between the cultural dynamics of accounting institutions in the United States and Germany and the individuals who operate within these institutions. Furthermore, the cultural dimensions of individuals outside of the accounting syndicates in each country are also found to be relevant indicators of broader trends in the reception of accounting regulations; specifically, both the German and American general public response to the OECD's BEPS Project reflect the political and economic responses on the part of each country to the BEPS project. The data in this chapter is a combination of primary and secondary data. The primary data consists of information gathered through interviews with accountants and accounting experts concerning the processes and perceptions of the implementation of the BEPS project in the US and Germany. The interview subjects and their position as relates to their accounting expertise is detailed in Figure Nineteen. The primary questions asked in these interviews are detailed in Figure Twenty. The secondary data is collected from an annual survey conducted by Deloitte which gathers data from tax directors, tax managers, CFOs, and other decision-makers of multinational enterprises in jurisdictions across the globe regarding their perception of the BEPS project. Ultimately, this data suggests that the strength of the feedback loop between accounting systems and the individuals within these systems necessitates regulations that bear cultural differences in mind in order to produce common outcomes in disparate cultural environments.

The following chapter is designed to thoroughly address research question number three; *What differences exist in the perception of the Inclusive Framework on BEPS in the US and Germany, and to what extent can these disparities be attributed to cultural dimensions?* The analysis will be divided into three sub-questions;

1. What positive and negative outcomes of the BEPS project are perceived by the accounting professions in the US and Germany?
2. How have the day-to-day operations of the accounting profession been impacted by the BEPS project?
3. What perspectives do the accounting professions in the US and Germany have on the future of the BEPS project and further developments that will arise in the course of its implementation?

The outcomes of these questions will be further interrogated with regards to the Hofstedian cultural dimensions. This individual-level analysis will be considered within the context of the institutional-level analysis presented in Chapter Two in order to develop final conclusions concerning the role of culture in the implementation of the BEPS project in Chapter Four.

Figure Eighteen: Interview Participants

Participant Name	Participant's Role/Background
David Chamberlain	Assistant Professor, California Polytechnic State University; Tax Attorney, experience with Big Four and the IRS; author of Chapter 79 (transfer pricing), Bittker & Lokken's Federal Taxation of Income, Estates and Gifts.
Edward R. Jenkins	Jenkins & Co., LLC Managing Member, Penn State Professor of Practice in Accountancy

Figure Nineteen: Interview Questions

How have you seen new international tax regulations implemented and upheld in recent years in the course of your work?
What effects of the BEPS project have you seen on your line of work and how have these outcomes impacted the substance and form of international tax work?
How has the BEPS project impacted the day-to-day operations of the accounting profession?
How has the BEPS project impacted the big-picture or long-term operations of the accounting profession?
What kind of responses have you seen to the BEPS project in your field, and how would you characterize these responses? This could be on a team level, managerial level, firm level, client level, or any other relevant sphere of influence.
What impact has the volatility of the international regulatory environment had on your work in recent years?
Moving forward, what further changes can we expect to see to the accounting profession as a result of the BEPS project?

QUESTION ONE: WHAT POSITIVE AND NEGATIVE OUTCOMES OF THE BEPS PROJECT ARE PERCEIVED BY THE ACCOUNTING PROFESSIONS IN THE US AND GERMANY?

Deloitte performs an annual Global Tax Survey as a means of quantifying the views of decision makers of multinational corporations concerning "the increased media, political and activist group interests… in BEPS, and the expected impact on their organization" (Deloitte 2, 2021). The 2021 survey yielded responses from 131 participants from 28 countries, all holding important roles in multinational corporations such as Tax Director, International Tax Director/Manager, and Controller/CFO (Deloitte 2, 2021). It is important to note that, with regards to the US and Germany, there does exist a limitation on the representativeness of this data as it contains 37 participants from the US and only 6 from Germany. That being said, there is still value in evaluating the perspectives of the two country's representatives, a sample of which pertaining to the positive and negative perceptions of the BEPS project is provided in Figure Twenty One.

Figure Twenty: Deloitte Global Tax Survey– Perceptions of the BEPS Project

<table>
<tr><td colspan="2">30% agree or strongly agree that their group has experienced double taxation as a result of BEPS changes</td></tr>
<tr><td>US: 35% agree or strongly agree</td><td>Germany: 0% agree or strongly agree</td></tr>
<tr><td colspan="2">34% agree or strongly agree that their group has been involved in cross-border tax disputes as a result of uncoordinated implementation of BEPS measures</td></tr>
<tr><td>US: 41% agree or strongly agree</td><td>Germany: 17% agree or strongly agree</td></tr>
<tr><td colspan="2">25% agree or strongly agree that most administrations are interpreting the OECD Transfer Pricing Guidelines in a consistent manner</td></tr>
<tr><td>US: 14% agree or strongly agree</td><td>Germany: 50% agree or strongly agree</td></tr>
<tr><td colspan="2">40% agree or strongly agree to have experienced increased focus on DEMPE[a] functions in transfer pricing audits since the inclusion of BEPS</td></tr>
<tr><td>US: 51% agree or strongly agree</td><td>Germany: 67% agree or strongly agree</td></tr>
<tr><td colspan="2">49% anticipate higher withholding tax obligations as a result of treaty changes, whether under the multilateral instrument (MLI) or renegotiation of double tax treaties</td></tr>
<tr><td>US: 43% agree or strongly agree</td><td>Germany: 83% agree or strongly agree</td></tr>
<tr><td colspan="2">62% are concerned about the possible increase in corporate taxes as an outcome of the OECD Pillar 1/Pillar 2 project.</td></tr>
<tr><td>US: 69% agree or strongly agree</td><td>Germany: 67% agree or strongly agree</td></tr>
<tr><td colspan="2">46% are hopeful that there will be global consensus on taxation of digital economy through OECD's Pillar 1/Pillar 2 project.</td></tr>
<tr><td>US: 33% agree or strongly agree</td><td>Germany: 67% agree or strongly agree</td></tr>
<tr><td colspan="2">41% agree or strongly agree that their group has been actively engaged in OECD's Pillar 1/Pillar 2 project consultation</td></tr>
</table>

US: 42% agree or strongly agree	Germany: 17% agree or strongly agree
30% of the respondents agree or strongly agree that their group anticipates structural or operational changes due to tax reforms which are likely to be implemented as a result of US elections	
US: 47% agree or strongly agree	Germany: 17% agree or strongly agree

[a] DEMPE refers to an OECD regulation whereby a subsidiary that does not participate in the development, enhancement, maintenance, protection, or exploitation of intellectual property cannot claim income from said property. This rule aims to prevent the transfer of ownership, and therefore the right to income, of intellectual property to low-tax jurisdictions.

This information is largely in line with the institution-level policy responses the US and Germany have made to the BEPS project and contributes to a consistent image concerning the approach of these two countries to the project. The polling responses from the US support the idea that American corporations are hesitant and even hostile towards the BEPS project, with relatively high numbers of individuals agreeing that they are experiencing double taxation, increased tax disputes, and inconsistent tax treatment as a result of the project, along with a low level of certainty that global consensus will be reach. The strong correlation between the opinions of prominent US corporations and the US government (i.e. in generally opposing the OECD's response to BEPS) suggests a high level of corporate influence over politics in the United States, a dynamic that is supported in many ways by the form and substance of the TCJA. Furthermore, it is important to consider the reception of the OECD's Inclusive Framework on BEPS on a broader scale. David Chamberlain, a tax attorney and renowned expert on transfer pricing and international taxation, provides insights into the perception of the BEPS project in the eyes of the American public as well as Congress;

> I don't know if the US public was that worked up about it [BEPS behaviors], I think some of the European countries… the people were a lot more worked up about it than people in the US were in particular… it wasn't front page news unlike, say… Elon Musk having huge unrealized gains…In Congress they

> definitely saw it. The Republicans in general, both the Republicans and the Democrats were theoretically upset about [BEPS], the Republicans were more… their solution was we should just slash tax rates, and if US tax rates come down there won't be as much incentive to shift US profits offshore. They blamed the US tax system for being too high, they didn't blame Apple Computer or whoever it was for shifting profits out there. – David Chamberlain

Chamberlain's commentary highlights an interesting nuance of the American perception of the BEPS project; while the OECD's Framework was generally met with hostility and/or disavowment, the exposure of BEPS behaviors themselves was met with relative disinterest. In general, the predation of corporations on global tax revenues did not garner significant attention in the United States, and where disrest did arise the prescribed solution was more concerned with augmenting competitive advantage (slashing tax rates) than holding corporations accountable. This stands in direct contrast to German responses, where "greater-than-expected public attention" encouraged "Germany's coalition government… [to show] strong interest in the OECD BEPS project" (KPMG 2, 2017).

Here it is also interesting to note the relatively high percent of American respondents who believe that there will be structural and/or operational tax reforms as a result of the US elections (this question specifically refers to the election of Joe Biden as well as the Democratic party's retained control of the House and gained control of the Senate in 2020). Since the US has opted to respond to the BEPS framework through its own policymaking, as opposed to the adoption of the instruments developed by the OECD, the shifting of political power has the potential to completely rewrite American BEPS response. Indeed, the Biden Administration's enthusiasm for the BEPS 2.0 project intends to redefine the position of the United States in the effort to end predatory tax practices. However, although this position represents a major shift in attitude from the American government, it is important to consider the factors that led the US to reject the

Inclusive Framework on BEPS, especially in light of the constant and often dramatic shift in American political power. David Chamberlain characterizes the United State's defiance of the BEPS project as such;

> It's just American exceptionalism, basically. Everything the US does is the best, that's the way that people in Congress talk, it doesn't matter that we have the worst healthcare system in the world, we're the best, same thing, we'll do it our way. – David Chamberlain

This perspective suggests a clear indicator of the impact of the United States high individualism dimension. Regardless of any level of agreement or disagreement on the substance, form, or importance of the BEPS project, the standard US response appears to be a rejection of compliance in favor of taking initiatory action.

The German polling responses, by contrast, are largely more receptive to the BEPS project with higher levels of agreement that tax treatment is consistent from country to country and that a global consensus will be reached on taxation of the digital economy, as well as lower rates of agreement that double taxation has occurred as a result of the project. It is important to note, however, that the polls also indicate some instances where the German respondents perceive unfavorable outcomes of the BEPS project, such as high confidence that corporate taxes will be increased by the inclusive framework and low agreement that their group was included in discourse related to the development of the framework. This suggests a different dynamic between German corporations and policymaking than is observed in the US to the extent that German policies are more accepting of outcomes that may be detrimental to business than the equivalent American policies are. This also suggests that German lawmakers are more accepting of potential negative effects as an outcome of accepting collective action or, in this specific instance, as an outcome of preventing profit shifting around the globe.

QUESTION TWO: HOW HAVE THE DAY-TO-DAY OPERATIONS OF THE ACCOUNTING PROFESSION BEEN IMPACTED BY THE BEPS PROJECT?

In addition to providing information regarding the perception of the BEPS project, Deloitte's annual Global Tax Survey also provides insights into the ways that the practical day-to-day functions of the accounting profession have changed in light of the Inclusive Framework on BEPS. Figure Twenty Two presents insights related to the changes the accounting profession has faced relating to the BEPS project.

Figure Twenty One: Deloitte Global Tax Survey– Changes to Accounting Operations

76% agree the C-suite and/or Board of Directors are actively engaged in establishing and/or approving their group's tax strategy and in assessing and monitoring risk in this area	
US: 76% agree or strongly agree	Germany: 50% agree or strongly agree
53% agree or strongly agree that their organization has implemented additional corporate policies and procedures in response to the increased scrutiny related to corporate taxation	
US: 43% agree or strongly agree	Germany: 67% agree or strongly agree
26% agree or strongly agree that their group has secured additional resources/headcount for their Tax Group as a result of changes arising due to the BEPS project	
US: 30% agree or strongly agree	Germany: 17% agree or strongly agree
27% agree or strongly agree that the tax authority in their ultimate parent's jurisdiction has become more rigorous in tax examinations	
US: 24% agree or strongly agree	Germany: 17% agree or strongly agree
65% agree or strongly agree that the tax authority in their ultimate parent's jurisdiction is increasing its use of data gathering and data analytics tools	
US: 51% agree or strongly agree	Germany: 100% agree or strongly agree
39% are concerned about the lack of guidance from the tax authority about BEPS-related legislative changes	
US: 41% agree or strongly agree	Germany: 33% agree or strongly agree

With regards to the daily impacts of the BEPS project, this data puts Germany below-average for C-Suite involvement in tax strategy, securing additional tax group resources, experiencing a more rigorous tax examination from the jurisdiction, and concern for lack of guidance from tax authorities concerning BEPS. However, Germany is notably well above average for implementing additional corporate policies related to increased scrutiny and for increased data collection protocols from the jurisdiction. This suggests a more active role in responding to the Inclusive Framework on BEPS by the German tax authority than by German corporations themselves. This perspective aligns with the institutional data that suggests a high level of jurisdiction-level compliance with both the suggestions of the OECD as well as the regulations of the EU. Furthermore, this perspective relates to previously observed differences in the prioritization of the interests of corporations in Germany vs. the US; the United States appears to be more sympathetic towards corporations both in the case of public opinion as well as in legislation, while Germany is more concerned with the preservation of the common good.

In the case of the United States, these responses must be considered in relation to the changes brought to the domestic tax system by the TCJA. American respondents reflect lower than average agreement that the tax authority has become more rigorous or implemented increased data gathering/data analytics, as well as a higher than average concern about the lack of guidance from the tax authority concerning legislative changes related to BEPS. These responses reflect that members of the American accounting profession perceive a relatively "hands-off" approach of the US tax authority to the issue of BEPS. Furthermore, it is important to consider the impact of the provisions of the TCJA, such as FDII and GILTI, on day-to-day accounting operations as well as the proclivity of US corporations to partake in predatory tax behaviors. David Chamberlain comments on the impact of the TCJA on BEPS behaviors as well as the response of corporations to these attempts to curb predatory tax behaviors;

> The evidence is kind of mixed as to whether that [the TCJA] has changed the amount of profit shifting… they did the foreign derived intangible income [FDII] deduction, which is an incentive that supposedly makes you want to bring your intangibles back home, and there is some evidence that at least some companies have brought their intangibles back to the US, and there's evidence that there's less profit shifting going on to a certain extent. But they've also found other ways to profit shift that are not caught by US rules and are not caught by international rules either… they were selling intangibles from zero tax locations where they would be taxed, but since they sold them they would be able to depreciate, and that depreciation was shielding all of their income so they still weren't paying any money. Is that just a game that they [the corporations] are just going to keep on playing, is the question. – David Chamberlain

These insights suggest that the BEPS project has had both intended and unintended consequences in the US accounting practice, specifically with regards to the TCJA. Although some provisions of the TCJA have been successful in discouraging certain BEPS behaviors, there has also been a degree of adaptation of US corporations to these provisions in such a way that has yielded new methods of tax avoidance. Ultimately, this highlights an important point concerning the function of the BEPS project. The intended outcome of the OECD's Inclusive Framework on BEPS is not to regulate countries, but to regulate corporations. Predatory tax behaviors fundamentally suit the profit motivation of corporations– the crux of BEPS elimination is not the compliance of countries but, rather, the elimination of the motivations and capabilities of corporations to abuse tax laws in order to diminish the global tax revenue base. To the extent that countries are willing to comply with international regulations that deplete the capability of corporations to shift profits, BEPS may be abated; however, if there is a strong enough consensus to remove motivations for profit shifting, BEPS may be significantly avoided without the complete cooperation of all jurisdictions.

QUESTION THREE: WHAT PERSPECTIVES DO THE ACCOUNTING PROFESSIONS IN THE US AND GERMANY HAVE ON THE FUTURE OF THE BEPS PROJECT AND FURTHER DEVELOPMENTS THAT WILL ARISE IN THE COURSE OF ITS IMPLEMENTATION?

Having considered the impact of the BEPS project on the accounting profession thus far, and having assessed the perceptions of these impacts, it is now important to turn an eye to the future. As the BEPS project continues to evolve and the volatile international regulatory environment continues to shift priorities and power dynamics, the responses of individuals and the systems they operate in will dictate the future of the global economy. Figure Twenty Three presents insights from Deloitte's Global Tax Survey considering the path forward with regards to BEPS.

Figure Twenty Two: Deloitte Global Tax Survey–The Future of BEPS Implementation

36% agree or strongly agree that their group intends to co-source or outsource some tax functions as a result of the changes arising due to the BEPS project	
US: 43% agree or strongly agree	Germany: 33% agree or strongly agree
20% agree or strongly agree that, given the changing landscape, their group is obtaining more bilateral APAs[a]	
US: 22% agree or strongly agree	Germany: 50% agree or strongly agree
22% of the respondents are planning to restructure their holding companies as a result of the principal purpose test (PPT)[b]	
US: 35% agree or strongly agree	Germany: 0% agree or strongly agree

[a] APAs (Advanced Payment Agreements) are a tool for ensuring the taxation conventions for future transactions between two jurisdictions. APAs are used to clarify tax treatments and promote equitable tax revenue allocation.

[b] PPT (Principal Purpose Test) is a component of the MLI which "allows tax authorities to disallow the application of treaty benefits (such as withholding tax relief or exemption, deduction of expenses, etc.) if the application of those

benefits was *one of the principal purposes* of an arrangement or transaction" (EY). The intention of this provision is to minimize the opportunities for jurisdictions to use treaties as a form of tax base reduction.

To an extent these findings can be interpreted as insights into the state of predatory tax behaviors in the US and Germany prior to the onset of the BEPS project. The 35% agreement on the part of American individuals that holdings will need to be restructured in order to comply with the PPT as opposed to the 0% German agreement insinuates that American corporations are more deeply in violation of the tenet of matching taxation to the location of profit generation than German corporations. This is in keeping with the scholarly consensus that the United States was the primary target of the BEPS project (Herzfeld, 2019). US and German respondents both perceive some likelihood of increased outsourcing of the tax function in the light of BEPS-related changes, with the US agreeing at a rate slightly above average (43% versus an average of 36%) and Germany agreeing at a rate slightly below average (33%). With regards to APAs, both the US and Germany reflect higher than average anticipation of acquiring new APAs, but Germany does so at a much higher rate (50%) than the US (22%). This dichotomy appears to be reflective of the time orientation cultural dimension, as the long-term security of an APA is typical of long-term orientation behavior, as is the case with Germany.

CONCLUSIONS AND ANALYSIS

This individual-level data reveals strong dynamics between the cultural dimensions of the United States and Germany and the perception of the BEPS project in terms of the positive and negative impacts of the OECD's Inclusive Framework on BEPS, the impact of the BEPS project on the daily operations of the accounting profession, and the future implications of the efforts to curb predatory tax practices. Interestingly, a significant difference exists between the perception of BEPS behaviors in the United States and Germany, with the German public expressing a great deal of outrage at the incidence of predatory tax practices and a general lack of interest or discontentment from the American public. These public perceptions in turn appear to coincide with the perceptions on the part of the accounting profession and the tax authorities in each country. With regards to the lack of concern in the United States over BEPS behaviors, there is a lack of willingness to comply with the OECD's Inclusive Framework on BEPS both in the legislation and in the responses of corporations. On the other hand, the disavowment of BEPS behaviors by the German public corresponds to the compliance of the German tax authority to the OECD's recommendations, as well as more amenable perspectives by members of the accountancy profession of the BEPS project.

CHAPTER FOUR: CONCLUSIONS AND IMPLICATIONS

The purpose of this research was to analyze relationships between the cultural dimensions of accounting jurisdictions and the substance and form of international regulation implementation in such jurisdictions. With regards to the United States and Germany's respective treatment of the OECD's Inclusive Framework on BEPS, the results of this investigation suggest that the cultural characteristics of both a country's accounting system and the accountants that inhabit that system can wield a great deal of influence over the perception and implementation of global accounting frameworks. These results can be further assessed in terms of the three guiding research questions of this thesis in order to develop a perspective on the ways in which accounting regulations, and the OECD's Inclusive Framework on BEPS in particular, can best respond to differences in the cultural character of international accounting systems.

QUESTION ONE: TO WHAT EXTENT DO HOFSTEDE'S CULTURAL DIMENSIONS CREATE TENSION IN THE IMPLEMENTATION OF ACCOUNTING STANDARDS ON AN INTERNATIONAL SCALE?

Both the qualitative and the quantitative research revealed key dynamics between Hofstede's cultural dimensions and the implementation of the OECD's Inclusive Framework on BEPS in the United States and Germany. The differences in the US and Germany's responses to the Inclusive Framework on BEPS can largely be attributed to the "vastly different visions of what reform of the international tax system needed to achieve" (Herzfeld, 2019). In turn, these perspectives on the purpose of international tax reform were fundamentally based in the cultural dimensions of each country, with the independence dimension and the time horizon dimension playing the most crucial roles in determining accounting behaviors. Germany, with its relatively collectivist and largely long-term oriented culture, is more closely aligned with the purpose and function of the OECD as a regulatory body. As such, the German response to the Inclusive Framework on BEPS was relatively streamlined and centered on compliance with the standards and instruments presented by the OECD. The United States, on the other hand, exhibited strong indicators of its high levels of independence and short-term orientation in its response to the BEPS project. In terms of both institution-level and individual-level response the US centered "competitive[ness]" of the American job market over the ideals of "fairness and fiscal stability" that were championed by the OECD (Herzfeld, 2019). As a result of this, the US largely rejected the Inclusive Framework on BEPS in both substance and form, bypassing the MLI in favor of passing the TCJA and exhibiting through key corporate statistics a relatively insignificant decline in predatory tax behaviors.

These dynamics between cultural dimensions and the implementation of the OECD's Inclusive Framework on BEPS have key implications for the efficacy of international accounting regulations. This relationship reveals the importance of recognizing the tendency of a country to be initiatory or reactionary in their course of legislative change, as well as the connection between this characteristic and the country's culture. Based on this research, the high independence dimension of the United States correlates to a propensity towards initiatory action and a general unwillingness to accept external authority in the course of political change. In terms of the OECD's BEPS project, this suggests that participation from the United States is unlikely to reach a degree of total compliance in either substance or form, regardless of the oscillation of political ideologies between presidents. To this end, emphasizing measures that can minimize incentives for corporations to practice BEPS without requiring cooperation of all relevant tax jurisdictions may be a more effective course of action. Germany, on the other hand, demonstrates a tendency towards more reactionary perspectives towards the fiscal changes proposed by the OECD's Inclusive Framework on BEPS. This acceptance of external legislative influence and commitment to less immediate forms of fiscal and political gratification may prove helpful to the OECD in building consensus independent of unwilling participants such as the US.

QUESTION TWO: IN WHAT WAYS DO NEOLIBERAL TRENDS REMAIN RELEVANT IN INTERNATIONAL ACCOUNTING REGULATION, AND HOW DO POLICIES OF THIS CHARACTER INFLUENCE THE IMPLEMENTATION OF THE INCLUSIVE FRAMEWORK ON BEPS?

This research set out to examine the interface between the neoliberal political and economic paradigm and the variations in global accounting environments on the basis of Hofstede's cultural dimensions. Trends of neoliberalism, which began in the late 1970s and early 1980s in the United States, and the early 1990s in Germany, have largely defined modern economics through a market philosophy of deregulation and minimizing barriers to trade (Sikka, 2015, Brenner, 2000). However, with the onset of the OECD's BEPS project, as well as the Hofstedian perspective of fundamental differences in the operations of jurisdictions on the basis of culture, this research began with a sense of uncertainty concerning the current role and nature of neoliberalism in the international regulatory environment. Upon analyzing the OECD's Inclusive Framework on BEPS and the international response to this framework, this thesis finds that the neoliberal political ideology is still very much at play in the work of the OECD, but thus far has failed to elicit the desired response. Because of the dramatic dichotomies between the cultural characteristics of accounting systems in different jurisdictions, both on an institutional level and on an individual level, the neoliberal tendency towards homogenous, ubiquitous regulations is not effective in supporting common outcomes across countries. In fact, one of the very core tenets of neoliberalism– the belief that actors behaving in their own self-interest without regard for others will create the greatest common good– appears to be contradictory to the OECD's approach to the BEPS project, which intends to limit the freedom of jurisdictions in accordance with the well-being of other jurisdictions. With these conclusions in mind, this thesis finds that the neoliberal paradigm is still very much alive in the realm of accounting regulation, but that it is faltering in its mission and its methods. Because of the wide and powerful spectrum of Hofstedian cultural beliefs observable in the global economy, it appears unlikely that the OECD will be able to find success in using a neoliberal approach to eliminating predatory tax behaviors.

QUESTION THREE: WHAT DIFFERENCES EXIST IN THE PERCEPTION OF THE INCLUSIVE FRAMEWORK ON BEPS IN THE US AND GERMANY, AND TO WHAT EXTENT CAN THESE DISPARITIES BE ATTRIBUTED TO CULTURAL DIMENSIONS?

This research revealed stark differences between the perception of the BEPS project in the United States and Germany which, in turn, reveal the importance of the agent of culture both in international regulations as well as in accounting systems in general. On both an institutional and individual level the United States demonstrated resistance to the prospect of submitting to the OECD's recommendations on BEPS; meanwhile, the German response to the Inclusive Framework on BEPS was largely compliant, even in the face of some negative reactions to the tenets of the project. The differences in these responses point to the fact that the system of accountancy consists of a feedback loop between the structure of the accounting system and the behaviors of individuals within the accounting system. The strong public outcry against BEPS behaviors by the general public in Germany, as well as in Europe in general, is indicative of a strong societal belief in collectivist behavior; i.e. predatory tax practices are not collectivist as they sacrifice the prosperity of many in favor of the benefit of the few. This sentiment is reflected not only in Germany's direct response to the BEPS project, but also in the conditions that existed in Germany prior to the introduction of the OECD's Inclusive Framework on BEPS such as anti-profit shifting legislation and membership in the EU. Even the most fundamental legal mechanism of Germany's accounting syndicate– that is, the codification of accounting standards by the government into federal law– reflects an emphasis on the preservation of the collective and long-term wellbeing. When the OECD's Inclusive Framework on BEPS was introduced to the feedback loop of German accountancy, it was integrated with relative ease and approval. This reflects a general consensus between the ideals of the OECD's work on BEPS and the tenets of the feedback loop between individual and institution– essentially, the guideposts of perceptions– in the German accounting environment.

In evaluating the United State's perception of the BEPS project, and the larger circuit of perspectives between American individuals and American institutions, nearly the opposite dynamic emerges. The American public was relatively unbothered by revelations concerning the predatory tax behaviors of corporations, and by the same token American institutions were unwilling to integrate the OECD's Inclusive Framework on BEPS into their accounting apparatus without significant changes in both the methods and the intentions of the anti-BEPS mechanisms. This dynamic reflects the American cultural feedback loop in much the same way that the German cultural feedback loop is revealed by German adoption of the BEPS project; the American cultural environment created conditions that were unbothered by BEPS behaviors, which in turn failed to provide incentive to legal and regulatory institutions to adopt the BEPS project, which further enforced the cultural norms which accepted predatory taxation.

This conclusion suggests several paths the OECD can take going forward to improve the efficacy of the BEPS project. For one, the OECD may consider accepting non-compliance on the part of countries, such as the United States, that resist the call to collective action presented by the Inclusive Framework on BEPS. Incentives designed to impact corporations, such as the promotion of minimum taxation rates, can discourage BEPS behaviors and minimize the incentives to shift profits, even without complete compliance on the part of all jurisdictions. Alternatively, the OECD can utilize the power of the accounting-culture feedback loop to target specific components of the BEPS issue that are more likely to trigger an active response in previously unresponsive jurisdictions. Specifically, if the OECD can highlight inequities created by profit shifting that resonate with the American public– for example, the data suggests that the avoidance of taxation by high net-worth individuals is an issue that elicits a reaction in the American people– it is more likely that action will be demanded by individuals and enacted by institutions.

FINAL CONCLUSIONS AND PERSPECTIVES ON THE FUTURE

In order to present a final conclusion for this research's investigation of the BEPS project, it is relevant to return once more to recent developments in the efforts against predatory tax behaviors– specifically, BEPS 2.0. BEPS 2.0 has garnered much support and media attention, including approval from both the United States and Germany. The Biden administration's enthusiasm for this project suggests a change in position from the US on the adoption of BEPS measures; however, with Congress still largely in conflict and midterm elections approaching in fall of 2022, it remains unlikely that any sweeping changes will come to the American accounting environment. Germany's response to BEPS 2.0 is also in line with its previous acceptance of the Inclusive Framework on BEPS; the German tax authority has approved BEPS 2.0 and maintains its position that Germany supports international unification on the matter of tax regulation (Bernhofer & Langer, 2020). In essence, although BEPS 2.0 does have potential to create positive change in the course of discouraging predatory tax practices, early responses are largely indicative that the reception of jurisdictions to this proposal will not vary greatly from the reception to the earlier Inclusive Framework on BEPS. As such, the findings of this thesis remain relevant in assessing the prevalence of cultural dimensions to the implementation of the BEPS project.

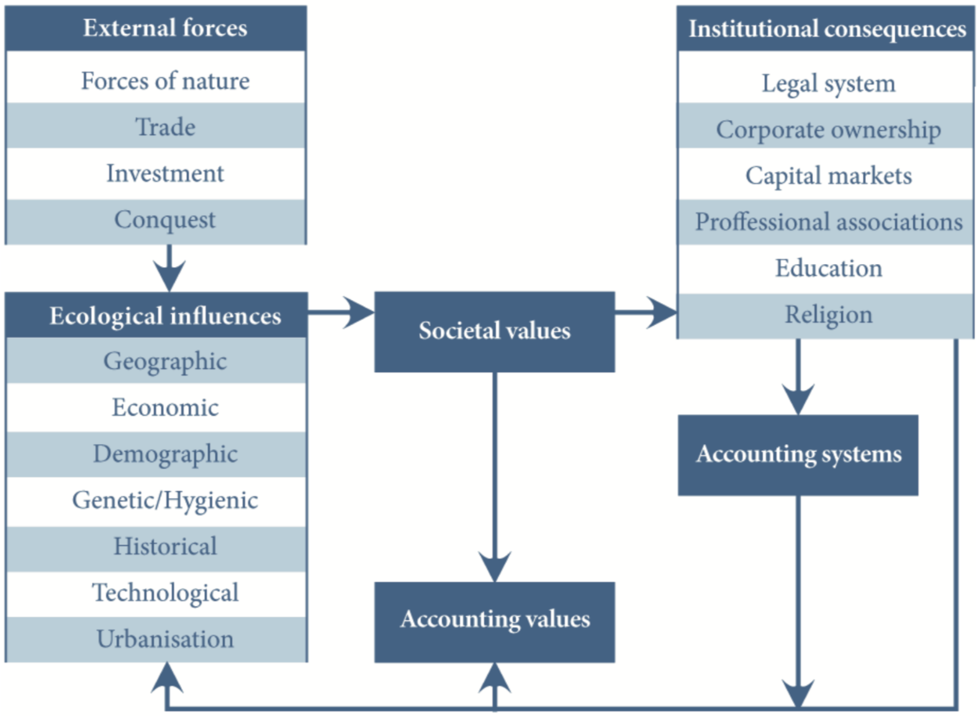
First and foremost, this thesis affirms previous literature in the perspective that accounting systems and the characteristics that define these systems are absolutely essential to the propagation of the international economy. This research finds that the regulations of accountancy are not static or passive in constraining and shaping financial reporting; rather, they are an active agent that play a crucial role in defining the relationships between jurisdictions across the globe.

Furthermore, this thesis takes the position that economic equity in the increasingly globalized and digitalized economy is largely dependent on the quality of accounting regulations– thus, the importance of the OECD's project on BEPS.

This thesis contributes to the literature an emphatic endorsement of the importance of cultural dimensions, specifically Hofstede's model, to the creation and implementation of regulations governing taxation. The data gathered by this thesis suggests a strong relationship between the variances in the implementation of the BEPS project in the US and Germany and the cultural dimensions of the respective countries. The data reveals that culture not only affects whether or not a regulation is adopted, but also the effectiveness of regulations that have been accepted with regards to variances in the structure and attitude of the accounting systems in different jurisdictions. This thesis concludes that it is impractical for the OECD to anticipate complete compliance of all countries with the BEPS project. Countries that place high importance on long-term wellbeing and are accepting of collective action, such as Germany, are likely to be compliant with policies such as the Inclusive Framework on BEPS. On the other hand, countries such as the US that are staunchly independent and operate on a short-term horizon are unlikely to accept external authority from a body like the OECD. It does not appear that these cultural differences can be legislated *around*– they must be legislated *for*, and deeply integrated into the substance and form of any international regulation that aims to create common responses in disparate jurisdictions. Herein lies a vision for the successful future of the BEPS project; frameworks must be crafted with the understanding that countries will behave in fundamentally different ways on the basis of culture, and measures against predatory tax behaviors must account for this reality.

APPENDIX

Figure A-1: S.J. Gray's Cultural Framework



Source: Adapted from Gray, S. J. (1988). Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally, Abacus, Vol. 24, p. 7

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