Regression without control variables

1. From the file excel **Cbcr data.xls** select your data (consider that you can use the filter to select)
2. Copy and paste your sample of data in a new sheet (called it BASE_1)
3. Eliminate the observations with missing values in profits
4. Calculate the effective tax rate (ETR) as ratio between tax accrued and profit before tax
5. Select all the observations with positive profits (>0) and effective tax rates, equal to zero or positive but smaller than 50% (0.5). If you have tax accrued equal to zero and then ETR=0, you must leave the observation, not eliminate
6. Transform the profit before tax in natural log (ln)
7. Run the linear and not-linear regression without control variables (the dependent variable is ln(profits) and ETR is the independent variable, add ETR square in the non-linear regression)
8. Apply U-test

The same procedure you can adopt for tax paid and compare the difference in the results

Regression with control variables (Number of employees, tangible_assets, related party revenues)

9. From the file excel **Cbcr data.xls** select your data (consider that you can use the filter to select)
10. Copy and paste your sample of data in a new sheet (called it BASE_2)
11. Eliminate the observations with missing values in profits, number of employees, tangible_assets, related party revenues
12. Calculate the effective tax rate (ETR) as ratio between tax accrued and profit before tax
13. Select all the observations with positive profits (>0) and effective tax rates, equal to zero or positive but smaller than 50% (0.5). If you have tax accrued equal to zero and then ETR=0, you must leave the observation, not eliminate
14. Transform in natural log the variables: profit before tax, Number of employees, tangible_assets, related party revenues
15. Run the linear and not-linear regression without control variables (the dependent variable is ln(profits) and ETR and control variables are the independent variable, add ETR square in the non-linear regression)
16. Apply U-test

The same procedure you can adopt for tax paid and compare the difference in the results