

# **Corporate Taxation, Prices, and Inequality**

## **Abstract**

This paper examines the incidence of a substantial and temporary corporate tax increase in France, targeting large firms with turnover above €250 million between 2011 and 2016. Using a difference-in-differences (DiD) framework and administrative data, we analyze the effects of this tax hike on output prices, wages, investment, and profit. Our identification strategy exploits the structure of tax groups, allowing us to exploit firm-level variation in exposure to the reform that is driven by the turnover of the tax groups, conditional on own-firm size as well as the size of the broader business group the firm belongs to. We find evidence of significant pass-through to output prices (semi-elasticity of 0.5). On the labor market, we observe reductions in the total wage bill (semi-elasticity of 0.8) driven by declines in employment, particularly for mid-level workers, with minimal impact on average wages. Investment also contracted, with treated firms reducing their assets by up to 8% (semi-elasticity of 1.3). These findings highlight the heterogeneous effects of corporate taxes, emphasizing their impact not only on shareholders but also on workers and consumers. We also study the within-group and between-group spillovers of the exceptional tax. Finally, building on a model of monopolistic and monopsonistic competition, we find that workers bear 20% of the tax while consumers and firm owners bear 40% of the tax each.

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