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Global Minimum Tax and Multinational Responses: A Systematic Review of Profit Shifting, Tax Incentives and Investment

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Abstract. The Global Minimum Tax (GMT) may reduce the gains from shifting profits. Its implications for government tax incentives and corporate investment decisions remain less clear. This systematic review compares findings in these three areas and assesses the strength of the evidence. Scopus was searched on 14 September 2026 for English-language business and economics articles published from 2016 to 2026. Full texts were sought for 63 reports. Of the 32 assessed, 28 studies were included in the narrative synthesis and four served as contextual sources. Models and simulations suggest that top-up taxation can reduce the tax savings from profit shifting. Governments may respond by redesigning incentives or offering subsidies. Investment findings vary across outcomes, including location choice, investment scale, and mergers and acquisitions. Post-implementation evidence remains limited for determining how much behavioural change can be attributed to the GMT.

Keywords: Global minimum tax; Pillar two; Profit shifting; Tax incentives multinational investment; Systematic literature review

1 Introduction

Low effective taxation is relevant even in jurisdictions with high statutory corporate tax rates. Hugger et al. [1] estimate that more than half of low-taxed profits worldwide are reported in jurisdictions classified as high-tax. The distinction between statutory and effective rates helps explain why minimum taxation may matter both for where multinational groups report profits and for how governments use incentives to attract business activity.

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Under the OECD Pillar Two GloBE framework, a jurisdictional effective tax rate below 15% can trigger top-up taxation for in-scope groups [2]. A smaller tax saving from shifting profits can coexist with changes in the cost of investing or the tax attractiveness of alternative locations. Bares et al. [3] examine these decisions within one model. Janeba and Schjelderup [4] show how governments' ability to offer subsidies can change the net revenue outcome. Comparing studies across these mechanisms requires attention to what each study measures and which assumptions drive its results.

The review addresses four questions. RQ1 asks how the GMT changes profit-shifting incentives and which adjustments the literature identifies. RQ2 examines the effectiveness of tax incentives and governments' policy choices. RQ3 examines location, investment scale and forms of investment. RQ4 asks how the type of evidence and implementation context affect the conclusions that can be drawn.

2 Methods

2.1 Search and eligibility

Scopus was searched on 14 September 2026 for English-language journal articles published from 2016 to 2026 in business and economics. The search used the phrase global minimum tax in title, abstract and keyword fields. The full strategy and filters are reproduced at the end of the paper. Reporting follows PRISMA 2020 and PRISMA-S [5, 6].

Eligible articles addressed the GMT or GloBE rules directly, or modelled a corporate minimum tax explicitly linked to an international agreement. They had to inform profit shifting, tax incentives, investment or implementation. Articles on individual minimum taxes, early BEPS measures without corporate minimum taxation, and studies of tax avoidance without a relevant GMT analysis fell outside the synthesis. Articles that provided background evidence were recorded separately as contextual sources.

2.2 Study selection and synthesis

The search identified 457 records, of which 72 remained after database filters. Nine were excluded at title and abstract screening. Full texts were sought for 63 reports through publishers and institutional repositories. Thirty reports were obtained initially and two more through follow-up searches. Thirty-one full texts were not retrieved. Of the 32 reports assessed, 28 entered the synthesis and four were used for context. The second reviewer independently checked the 72 screening decisions and the 32 full-text assessments. All decisions agreed with the initial selection.

Extraction recorded study identity, jurisdiction or model coverage, research design, the mechanism examined and the limits of inference. The narrative synthesis grouped findings by research question. It compared model assumptions, policy rules, data periods and outcomes. The studies used different measures and units of analysis, so their results were compared narratively.

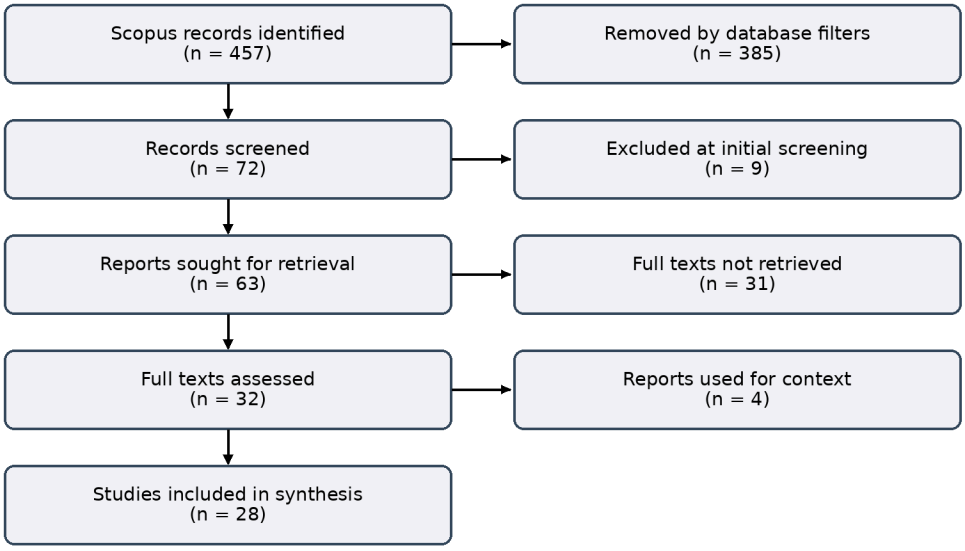


Fig. 1. Identification and selection of studies.

3 Results

3.1 Profit-shifting incentives

Models suggest that top-up taxation can reduce the tax savings from shifting profits. The magnitude depends on the profits covered and on how low-tax jurisdictions respond [7]. Boukal et al. [8] use historical Slovak data to distinguish revenue generated directly by top-up taxation from revenue associated with a predicted change in where profits are reported. These are separate channels. The former follows from the tax rules, while the latter depends on a behavioural response.

The literature also points to possible changes in reporting and payment structures. Mawani [9] discusses the costs of adjusting accounting income when the reported earnings also matter to investors. Van ’t Riet and Lejour [10] examine how treaty routes can affect withholding taxes and identify potential exposure in developing economies. These studies illustrate adjustment channels whose use after implementation needs to be tested.

3.2 Tax incentives and fiscal competition

An incentive can lose part of its value if it lowers the GloBE effective rate enough to trigger top-up tax. Investment-related incentives may nevertheless influence location attractiveness [11]. The net fiscal effect depends on what governments do next. In Janeba and Schjelderup’s model, subsidy competition can offset some of the revenue gain from a minimum tax [4]. Bachas et al. [12] show why historical effective rates below 15% alone cannot determine prospective revenue: group coverage and the rules for calculating the tax base also matter.

3.3 Investment decisions

A change in the tax attractiveness of a jurisdiction can coexist with a reduction in overall investment. Bares et al. [3] distinguish location choice from investment scale and project a decline in aggregate investment under higher capital costs. Amendolagine et al. [13] project a small aggregate change in cross-border mergers and acquisitions, with differences across country groups. Le et al. [14] describe how Vietnam's exposure varies by sector. Their descriptive evidence shows where exposure differs and leaves the causal effect on investment open.

Dyrda et al. [15] estimate a small change in world output despite lower profit shifting in their model. That result is compatible with a decline in capital expenditure in another model because investment and world output are different outcomes. Comparisons also depend on assumptions about how easily companies move intangible assets and how governments respond.

3.4 Strength and scope of the evidence

The evidence is strongest for explaining mechanisms and the conditions under which they may operate. Models provide conditional predictions and historical data provide benchmarks. The observed effects of implementation remain harder to establish because tax reforms, investment incentives and economic conditions can change at the same time. Location attractiveness, capital expenditure, recorded FDI and mergers and acquisitions should be evaluated separately.

Table 1. Evidence by research question

Question	Evidence and interpretation	Limit of the evidence
RQ1. Profit shifting	Models and simulations suggest that top-up taxation can reduce savings from moving taxable profits. Historical data inform the simulations.	Predictions depend on the scope of the tax and on how firms and jurisdictions respond. The size of realised changes remains uncertain.
RQ2. Fiscal competition	Policy models explain how governments may change incentives or compete through subsidies. Policy illustrations show how incentives interact with GloBE.	A projected revenue gain should be assessed alongside the cost of incentives. The evidence does not quantify realised subsidy costs across countries.
RQ3. Investment	Studies distinguish the tax attractiveness of locations, the cost of capital, projected acquisitions and descriptive FDI data.	These outcomes answer different questions. A change in a tax indicator does not establish that firms relocated or changed expenditure.
RQ4. Strength of evidence	Historical data provide a baseline. Models identify plausible mechanisms under specified assumptions.	Post-implementation estimates need an appropriate comparison to separate GMT effects from other policy and economic changes.

4 Discussion

Across studies, three factors explain why the results can differ. Coverage determines which profits face top-up taxation. Government responses determine whether projected revenue gains are accompanied by higher subsidy costs. The outcome selected determines whether a study speaks to the location of projects, their scale, or overall production. A review that

combines these outcomes without distinguishing them can obscure the underlying policy trade-offs.

For Indonesia, an evaluation should distinguish additional tax collected domestically, the cost of investment incentives and changes in real activity. Evidence from other economies identifies plausible mechanisms, but local evidence is needed to estimate their magnitude. Future research could compare firms with different pre-reform exposure and examine reported profits, capital expenditure and employment separately. Comparison groups and coinciding policy changes should be considered when attributing outcomes to the GMT.

The review is limited to Scopus and the stated language, subject and search filters. The 31 reports that could not be retrieved may affect the mix of jurisdictions or study designs represented. The review describes evidence limitations by design and does not report a formal study-level risk-of-bias rating.

5 Conclusion

Top-up taxation can reduce the gains from shifting profits. Governments may respond by changing the design of incentives or by offering subsidies, with implications for net public revenue. Investment outcomes depend on whether the decision concerns location, expenditure or acquisitions. Post-implementation evidence remains limited for determining how much behavioural change can be attributed to the GMT.

Declarations

The protocol was prepared after the initial search and screening. The review was not registered. The authors funded the research independently and declare no conflicts of interest. The study selection and extraction workbook is provided as supplementary material.

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