

Referee report

prepared for the paper entitled "Mobility of top income taxpayers in response to regional differences in personal taxes: Evidence from Spain" (Manuscript Number ECONJOURNAL-D-21-00018)

This paper provides an estimation of the impact of regional differences in personal taxes (Personal Income Tax, Annual Wealth Tax, and Inheritance and Gift Tax) on the decision of the Spanish top income taxpayers to change their residence to another Spanish Autonomous Community (AC). By using an IRPF panel data set, the authors show that regional tax differences tend to affect top-earners' decision to change their residence but the marginal effects are slight except for the coefficient of the variable capturing regional differences in IRPF. Specifically, the paper provides evidence that an increase of 10 percentage points in the difference between average regional IRPF rates in favour of the other regions, is associated with an increase of about 11.2 percentage points in the probability of a top 1% taxpayer changing their residence. The role of the AC of Madrid in this process is also discussed as well as the one played by certain individual characteristics.

The authors address an interesting and important question but in my opinion there is a substantial overlap with previous literature both in terms of research questions and framework of the study (Spain). My main concern is then that the paper might not provide enough contribution as it stands. I try to better explain this concern below.

It would be helpful for the paper to clarify more clearly its contribution to the literature, and in what ways it complements the preceding papers. Currently the discussion of the related literature is a bit scattered in different parts of the paper. For instance, while the paper states that "There is very little research on the mobility of citizens in response to tax rate differences between jurisdictions in Spain" and starts by discussing the contribution of Leal et al. (2009, 2014) which focus on the Spanish case but on different taxes (i.e. the Hydrocarbons Retail Sales Tax and gambling taxes respectively), afterwards it follows by discussing contributions in other frameworks and just after several paragraphs it mentions the contribution by Agrawal and Foremny (2019) and discusses some differences between the two papers. In my opinion, the contribution by Agrawal and Foremny (2019) is clearly the most related to the paper under review given that there is a substantial overlap both in the research questions and the focus of the analysis, i.e. the Spanish framework. For this reason I think that the authors should clearly spell out the presence of this overlap from the very beginning and try to discuss it more in detail by highlighting what are the issues left open by Agrawal and Foremny (2019) that deserve further research (e.g. discuss more in detail the role that wealth taxes might play in determining the mobility of top earners) and in what aspects the paper differentiates from their contribution making its own contribution. This discussion should be continued beyond the literature review and should be extended when commenting on the results and the concluding remarks. To what extent does the paper (qualitatively and quantitatively) confirm the results provided by Agrawal and Foremny (2019)? What is the additional evidence provided? How do the differences of the two papers in terms of methods and data employed help explain their results? Do the results of the two papers complement each other? As a

minor comment on this, other potential contributions the authors might want to consider in this discussion are e.g. González-Chapela and Ortega-Lapiedra (2021) and Duran-Cabré et al. (2015).

References

Durán-Cabré, J.M., Esteller-Moré, A. & Salvadori, L. Empirical evidence on horizontal competition in tax enforcement. *International Tax and Public Finance* 22, 834-860 (2015).

González-Chapela, J., Ortega-Lapiedra, R. Reform of the Personal Income Tax in Spain: Effects on Internal Mobility of the Unemployed. *Journal of Family and Economic Issues* 42, 166-181 (2021).