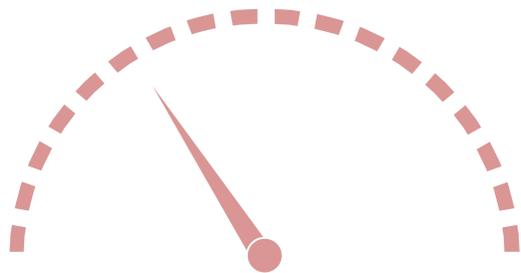


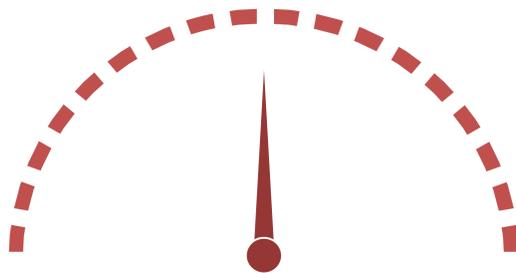
# Transmission channels of corporate taxation

What is the behavioral impact of an ACE?



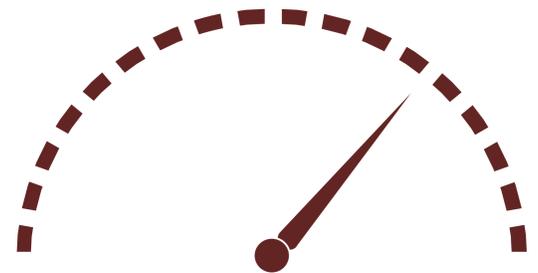
## Financing Choices

*ACE leads to a find a significant reduction in leverage ratios*  
(Kestens, Van Cauwenberge, and Christiaens (2011); Princen (2012); Panier, Perez-Gonzalez, and Villanueva (2013)).



## Operational Choices

*ACE increases bank capital ratios, and leads to a significant reduction in risk-taking for ex-ante low capitalized banks*  
(Schepens, 2016).



## Investment Choices

*Relative decrease in the cost of equity leads banks to rely more on equity financing and to increase lending to firms while decreasing security and interbank asset holdings*  
(Celerier et al, 2017).

## Objectives of the study

### 1st STAGE - Research Objectives

As the ACE – which is a cornerstone of the Liechtenstein tax system and considered as a blueprint for the future European tax policy – affects financing decisions, research is needed to explore the transmission channels which are triggered by an ACE.

### 2nd STAGE - Research Questions

Research Question 1: How are debt capacity and the risk-hedging potential affected by an ACE?  
Research Question 2: Which transmission channels are triggered by the introduction of an ACE?

### 3rd STAGE - Anticipated Outcomes

Through the extension of the theoretical literature towards an ACE (RQ 1), further insights about the impact of an ACE on the debt capacity and the risk-hedging potential will be gained. These static theoretical models will be complemented by a dynamic analysis of the impact of an ACE on the transmission process. In doing so, the adjustment process towards a new risk profile will be explored (RQ 2).

## Relevance for Liechtenstein



### Tests transmission channels

...empirically based on a theoretical model which formalizes the debt capacity with an ACE and explains the hedging strategy of the firms.



### Enable practitioners

...in the field of taxation and finance to improve their decision making, as the Binominal Option Pricing Model and the Black-Scholes Option Pricing Model are used in practice to evaluate growth options, such as R&D projects.



### Applications for the political context

...from the research results like for instance, in the field of tax policy, whereas recommendations for optimal tax policy can be derived upon the scientific insights

