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Impact of Corporate and Personal Tax Rates on the Capital Structure of Corporations of Eurozone

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1 Abstract

This study observes the effect of corporate and personal taxes involving both on interest income and dividend income on corporate capital structure are examined in Eurozone countries over the years 2014-2018. Corporate and personal taxes are observed as significant determinants of capital structure in research work. In our sample, results indicate that higher of corporate and personal taxes direct to increase the amount of debt. Corporate and personal tax on dividend income has more significant link with dependent variable than personal tax on interest income. Corporate and personal tax on interest income play an important role in the decision making of capital structure of the companies. They both appear as important variables in setting the proportionate of capital structure. Personal tax on dividend income play significant role in the decision making at investor level. Miller tax index results also show the significant associat ion with firm book leverage. This research examines that joint tax effect has positive correlation with dependent variables. Positive association of miller tax index direct to larger incentive to use debt.

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2.1 Structure of the Study

The remainder of this study is organized as follows:

Chapter 1: Discuss the introduction of this research.

Chapter 2: Reviews the literature.

Chapter 3: Overviews the Eurozone and its countries along data of selected variables.

Chapter 4: Presents the research methodology and descriptive statistics.

Chapter 5: Interprets the results and present the graphs of the results.

Chapter 6: Deliberates conclusion and recommendations.