TAX INCENTIVES FOR CAPITAL

STIMULUS FOR FINANCING?

The 5th Edition of the Jaime Fernández de Araoz Award for Corporate Finance, sponsored by Deutsche Bank, is related to one of the most relevant topics for Spanish businesses: financing.

Researchers Francisco Pérez-González, Pablo Villanueva, both Mexican, and Frédéric Panier, Belgian, are the authors of the winning paper of the 5th Edition of the Jaime Fernández de Araoz Award for Corporate Finance, sponsored by Deutsche Bank, on the impact of introducing tax subsidies for capital: Capital Structure and Taxes: What Happens When You (Also) Subsidize Equity?. This study proves that using shareholders’ equity results in lower levels of corporate indebtedness, therefore less leverage and more capitalisation.

The paper, selected from over 40, analyses the impact of an innovative tax reform approved in Belgium in 2006. Said reform reduces tax deductions which promote indebtedness by allowing tax deduction for company equity. Therefore, and in contrast with traditional tax incentives, company financing receives a tax deduction regardless of the source of financing used and not only when companies are financed with debt.

The Award was presented on the 20th June by HRH the Prince of Asturias to researchers Francisco Pérez-González and Frédéric Panier.

Aim of the Jaime Fernández de Araoz Award

→ The Award, the only one of its kind in Spain, has the objective of contributing to economic and business finance growth through applied research. The Award, sponsored in this edition by Deutsche Bank, and in collaboration with CaixaBank, CUNEF and Universia, is endowed with €10,000 and a sculpture by Martín Chirino.

→ The Jury is comprised of renowned figures of the economic, business and academic world, chaired by Antonio Rodríguez-Pina, President and CEO of Deutsche Bank Spain.

→ The Award honours Jaime Fernández de Araoz, who devoted his professional life to investment banking and died in 2003 in an accident at the age of 37.