

< The Impact of Investment Incentives: Evidence from UK Corporation Tax Returns

The Impact of Investment Incentives: Evidence from UK Corporation Tax Returns

Giorgia Maffini

Jing Xing

Michael P. Devereux

AMERICAN ECONOMIC JOURNAL: ECONOMIC POLICY VOL. 11, NO. 3, AUGUST 2019

(pp. 361-89)

Download Full Text PDF

Article Information

Comments (1)

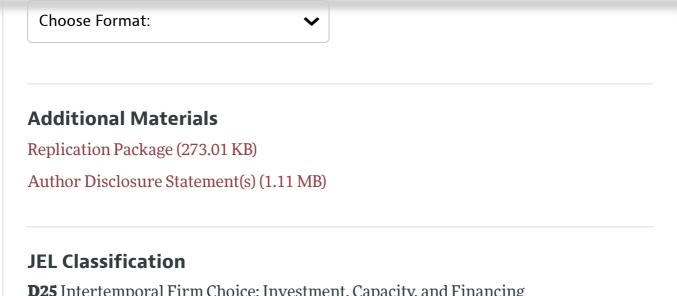
Abstract

Using UK corporation tax returns, we provide evidence on the effects of accelerated depreciation allowances on investment, exploiting exogenous changes in the qualifying thresholds for first-year depreciation allowances (FYAs) in 2004. The investment rate of qualifying companies increased by 2.1–2.5 percentage points relative to those that did not qualify. We exploit variation in the timing of tax payments to show that this effect is primarily due to the change in the cost of capital, rather than a relaxation of financial constraints. Discontinuity at notches in the cost of capital at the qualifying thresholds does not affect our results.

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our Privacy Policy.





D25 Intertemporal Firm Choice: Investment, Capacity, and Financing

G31 Capital Budgeting; Fixed Investment and Inventory Studies; Capacity

H25 Business Taxes and Subsidies including sales and value-added (VAT)

H32 Fiscal Policies and Behavior of Economic Agents: Firm

Find us on Facebook and X (formerly Twitter).



Copyright 2024 American Economic Association. All rights reserved.

Terms of Use & Privacy Policy

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our Privacy Policy.