

TAXATION & DIVIDEND POLICY: NEW EMPIRICAL EVIDENCE

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Abstract

The present paper takes advantage of two important changes in the Canadian taxation of capital gains in Canada to examine the interaction between taxation and corporate dividend policy. Our empirical results suggest that Canadian firms did not increase their dividend payout after the reduction of capital gains exemption in 1987; however, they did so when the remaining \$100,000 capital gains exemption in 1994 was eliminated. Moreover, we find that firms with high level of control concentration tend to pay fewer dividends. Our finding suggests taxation does influence corporate dividend policy.

Keywords: Dividend Policy, Taxation, Corporate Governance.

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1. Introduction

Corporate dividend policy is subject of an ongoing debate among financial economists. Despite several decades of research, resulting in emergence of a number of conflicting theoretical models and empirical findings, numerous questions remain unanswered. One of these critical questions looks at the nature of the relationship between taxation and dividend policy. The extant theoretical and empirical models provide contradictory results with respect to the impact of taxation on both stock price and corporate dividend policy. However, while numerous studies have investigated the impact of taxation on firm's share price, only a few have looked at the impact on corporate dividend policy. To help fill this gap in the literature, the present paper examines the impact of taxes on Canadian corporate dividend policy. To do so, we take advantage of some important events affecting the taxation of capital gains in Canada that followed two major changes in the taxation of capital gains.

The Canadian tax system differs from the U.S. system when dealing with investment income. Whereas the latter imposes double taxation on dividend income (until the Jobs and Growth Tax Relief Reconciliation Act of 2003, JGTRRA 2003), the Canadian system has allowed a tax credit for dividends since 1949.² In other words, in Canada dividends work on a dividend "gross up" and credit procedure.³ The tax on capital gains was first imposed

in 1972. In May 1985, a \$500,000 capital gains exemption was introduced. This tax reform widens the tax differential between capital gains and dividends. Considered too generous, the capital gains exemption was reduced to \$100,000 in 1987, and eliminated in 1994.

The present paper takes advantage of these two events to examine the interaction between taxation and corporate dividend policy. It is noteworthy, that while numerous studies have examined the U.S market, only two studies (Khoury and Smith, 1977; and Adjaoud and Zeghal, 1993) have tested the effect of taxes on corporate dividend policy in the Canadian market. Moreover, unlike the extant studies, we control for the effect of control concentration which is shown recently to have crucial influence on corporate financial and investment decisions.

The Canadian market presents a unique case in the study of the effect of taxation on dividend policy. Similar to the U.S. equity markets, Canadian equity market is well-developed, at the same time, however, Canadian public firms are characterized by their smaller size compared to their U.S. counterparts. Furthermore, Canada and the U.S. differ in several features of corporate governance. Morck et al. (2000) assert that the Canadian and the U.S. economies have broadly "similar factors endowments, and employ virtually identical technology and human capital in similar institutional framework" except for their ownership structure. Indeed, ownership is highly concentrated in Canadian public firms but widely diffused in U.S. public firms. In Canada, a small group of large blockholders, or affiliated groups of investors, dominate the ownership scene, where wealthy families maintain some influence over public officials through different control mechanisms, such as pyramidal holdings, cross holdings and multiple

² With the JGTRRA 2003 Act, signed In May 2003 by President Bush, the highest dividend tax was cut to 15% from as high as 38.6%.

³ Bauer, Beveridge, and Swakumar (2006) provide an excellent summary of Canadian tax regimes for the period ranging from 1982 to 2000.

class shares, (Morck et al., 2000).⁴ Moreover, studies by, for instance, Bris (2003) ranks Canada behind the U.S. and the U.K. with respect to law enforcement, mandatory disclosure, illegal inside trading and other aspects of regulatory regime.

The remainder of the paper proceeds as follows. Section II discusses the interactions between dividend policy, taxation and corporate governance. Section III presents a review of related literature. Section IV presents our research methodology. Section V reports and discuss our empirical results while Section VI concludes the paper.

2. Dividend Policy, Taxation and Corporate Governance

a. Dividend Policy and Taxes

In their seminal paper, Miller and Modigliani (1961) show that in an idealized world dividends policy does not have any impact on shareholders' wealth. Consequently, in a world without corporate and personal taxes, shareholders will be indifferent between receiving dividends and capital gains. However, when the tax rate on capital gains is less than the personal tax rate on ordinary income, as rational investors, shareholders will prefer to receive income in the form of capital gains rather than dividends. On other hand, if the tax rate on capital gains is greater than the personal tax rate, shareholders will prefer to receive income in the form of dividends rather than capital gains.

Personal investors, however, usually have a personal tax rate on ordinary income that is higher than the capital gains tax rate. Farrar and Selwyn (1967) conclude, therefore, that firms should never pay dividends. Instead, share repurchase should be used to distribute corporate earning. By doing this, firms will allow their shareholders to avoid paying higher income tax rates on dividends. Thus, one might question why firms keep paying dividends if shareholders would have a higher after-tax payoff through share-repurchase than through cash dividends. This question puzzles financial economist, making dividend payout one of the greatest enigmas of modern finance. In fact, Black (1976) wrote that there was no convincing explanation for public corporations paying cash dividends to their shareholders. He referred to the interest in dividends by shareholders and the practice of dividend payments as the "dividend puzzle." Almost two decades later Baker, Powell, and Veit (2002) conclude, "Despite a voluminous amount of research, we still do not have all the answers to the dividend puzzle."

⁴ Morck et al. (2000) report that 254 of the 500 largest Canadian companies represent privately-held firms. The remaining 246 are public firms of which only 53 have broad ownership. In a sample of 263 Canadian firms, Klein et al. (2005) find 123 widely held firms, and 140 closely held, of which 84 were family-owned.

Indeed, over the past several decades, a large volume of literature has emerged searching for the missing pieces of the "dividend puzzle." Financial economists have developed various theories involving, among others, the signalling theory, the agency cost theory, tax preference and dividend clientele (see, for instance, Brennan, 1970; Miller and Scholes, 1978; Easterbrook, 1984; Nissim and Ziv, 2001).⁵ The tax preference explanation states that since the tax rate on dividends is typically higher than on long-term capital gains, investors prefer retention of cash to dividends payments. Thus, firms should keep dividend payments low if they want to maximize share price. However, as Ang (1987) note, the empirical evidence on the tax-preference explanation is largely unresolved.

b. Dividend Policy, Ownership Structure and Corporate Governance

Several studies make a direct link between ownership structure and dividend policy. Rozeff (1982), Schooley and Barney (1994), Noe and Rebello (1996), and Jensen, Solberg, and Zorn (1992) document an explicit relation between ownership structure and corporate dividend policy.

Using a large sample of U.S firms, Rozeff (1982) documents a negative association between a firm's dividend policy and its level of insider stock ownership. He also finds a negative relation with high dispersion of ownership, measured by the number of stockholders of a firm. Rozeff (1982) asserts that insider holding and dividend policy are substitute tools to attenuate agency costs within a firm. Schooley and Barney (1994); however, report a nonmonotonic relation between the dividend payout ratio and the percentage of insider stock ownership. The authors find that beyond particular point further increases in insider stock ownership are likely to increase a firm's dividend payout ratio. In the Canadian context, where ownership is highly concentrated, Eckbo and Verma (1994), examine the dividend policy of 308 firms traded on the Toronto Stock Exchange during the period 1976-1988 and find that cash dividends decrease as the voting power of owner-managers increases, and are almost always zero in manager-controlled firms.

Under the *dividend clientele* framework, controlling for firm's ownership structure is even more essential when examining the interaction

⁵ Joseph, Frank and Philip (2003) define clientele effects as "a set of investors who are attracted to the stocks of firms that have the dividend policy they prefer, based on their tax or liquidity circumstances." (Page 479) They also claim that managers can enhance the share price via the clientele effect: "This (dividend clienteles) suggests that a given firm may be able to increase its market value if it adopts a dividend policy that appeals to investors whose preferences are not satisfied by firms currently in the market" (Page 479).

between taxation and dividend policy since different investor types belong to different tax brackets. For instance, the tax disadvantages of dividend income do not apply to all investors. Many investors are subject to low or no taxes. Pension funds, for example, are tax exempt. For tax purposes, these investors have a higher preference for dividends than capital gains. On the other hand, there are other types of investors in high tax brackets with a long-term investment horizon. Such investors prefer to hold shares with little or no dividends. This suggests that firms with a low dividend payout would attract investors in high tax-brackets or/and tax-exempt investors while firms with high dividend payouts would probably see their stocks being held by investors in low tax brackets.

The widely supported evidence of ownership concentration around the world has shifted the attention from the classic agency conflict between shareholders and managers to agency conflict between minority shareholders and large controlling shareholders.⁶ These dominant shareholders tend to use different mechanisms, such as pyramidal holdings, cross holdings and multiple class shares, to enhance the separation between ownership and control rights. Their controlling position allow them to usually exert full control over managers and frequently hold control power in excess of their cash flow rights, providing them with strong incentives to extract private benefits at the expense of minority shareholders. That is why some authors refer to large shareholders as insiders. The nature of influence that a large controlling shareholder may have on corporate dividend policy depends on its identities. When a large shareholder is family or corporation, he may use his controlling position in the firm to pursue private goals that undermine minority shareholders interests by, for instance, distributing low if any dividends (Shleifer and Vishny 1986; Burkart et al. 1997). However, when a large shareholder is an institutional investor, he may play a monitoring role which benefit minority shareholders, hence positively influence dividend payout (Moh'd et al. 1995; and Short et al. 2002).

In the wake of earnings manipulation scandals and evidence of managerial opportunism in the business community, several studies document an explicit relation between corporate governance and dividend policy (see, among others, La Porta et al., 2000; Aivazian, Booth and Cleary, 2003, Gugler, 2003; Gugler and Yurtoglu, 2003; and Goergen, Renneboog, and da Silva, 2005). However, there is an ongoing debate with regards to the nature of interaction between the corporate governance and corporate dividend policy: Are dividends an outcome of good corporate governance or are they a substitute

for it? The advocates of the “outcome model” argue that the weaker (stronger) the corporate governance, the lower (higher) the dividend payouts. However, the advocates of the “substitute model” stipulate that dividend payouts are inversely related to the strength or quality of corporate governance, the weaker the corporate governance, the higher the dividend payouts.

3. Review Extant Empirical Studies

The studies attempting to examine the effect of taxes on dividend policy provided mixed evidence. Furthermore, most of these studies examined the U.S market, and only a few studies looked at the Canadian market.

Consistent with the clientele effect, Pettit (1977) finds that younger individual investors, investors in low tax-brackets and investors with substantial differences between their ordinary income tax and capital gains tax rates prefer to hold stocks with a high dividend yield. However, using the same database as Pettit, Lewellen, Stanley, Lease, and Schlarbaum (1978) find that the dividend yields of investors’ portfolios are weakly related to their marginal tax rates. The authors fail to find evidence of companies adjusting their dividend policy in order to satisfy the preferences of investors in different tax brackets. In contrast, they find that dividend payouts seem to be stable over time.

Other studies investigate the dividend-tax relationship through significant changes in tax regime. For instance, earlier studies use the 1986 Tax Reform Act (TRA) as natural experiments that analyzed the relationship between corporate dividend policy and taxes in the American market.⁷ However, the major part of these studies has focused on the impact of the taxes on stock price, and only few of them examined the effect on dividend policy.

There are two studies that focused on anticipated firm dividend policy response to the passage of the 1986 TRA: Ben-Horim, Hochman and Palmon (1987) find that the 1986 TRA affects security holders and firms differently, depending on whether their marginal tax rates have increased or decreased. The authors predicted that firms would increase their payout ratios in response to the 1986 TRA. Abrutyn and Turner (1990) use a survey to forecast the effect of the 1986 TRA on corporate dividend policy. The

⁷ Prior to TRA of 1986, there was a distinct tax preference for long-term capital gains since they were taxed at maximum marginal rate of 20% while dividend were taxed at a maximum rates of 50%. Following 1986 TRA, both dividend and capital gains were taxed at the same rate of 28%. Thus, the 1986 TRA has substantially reduced the tax preference for long-term capital gains. This explains the use of this event to empirically examine the effect of tax on stock price valuation and also on dividend policy.

⁶ The high ownership concentration around the world is documented in several studies including Rao and Lee-Sing (1995), La Porta et al. (1999), Claessens et al. (2000), Morck, Stangeland, and Yeung (1998), Faccio and Lang (2002), and Morck, Daniels and Yeung (2004).

survey was sent to Chief Executive Officers (CEO) of 550 of the largest 1,000 corporations in the United States. The authors indicate that 85% of CEOs surveyed expected no change and only 11 percent expected an increase in the dividend payout ratios as a result of the TRA. Furthermore, their study reveals very surprising results about the importance of shareholders' tax rates in the determination of the corporate dividend policy: "Only 18 percent of the firms included any explanation based on shareholders' tax rates in their top two explanations; a full 58 percent of the respondents claimed not to know the tax status of their shareholders. Thus the tax clientele hypothesis received the weakest support." (Page 495).

The study of Bloster and Janjigian (1991) is the first empirical work that explicitly examines the effect of 1986 TRA on dividend policy. Using a sample of 883 non-financial firms, the authors find that the mean payout ratio for the pre-TRA86 years is virtually identical to the comparable value for the post-TRA86 years, which means that the tax reform did not affect the corporate dividend policy. Means, Charoenwong, and Kang (1992) find that dividend yields trend downward over the period from 1984-1986, however, following the TRA's passage, dividend yields start trending upward, and conclude that firms changed their dividend policy in response to the tax changes.⁸

Papaioannou and Savarese (1994), use a sample of 283 firms drawn from the FORTUNE 500 and FORTUNE 50⁹ to test for differences between the dividend payout ratios for the pre-TRA86 period and the post-TRA86 period. Applying one-tailed matched-pairs t-tests to the sample of 243 industrial firms and the 40 utility firms, the authors find no statically significant difference between the post- and pre-TRA86 dividend payout ratios. However, when applying the same test on the 243 industrial firms classified into five quintiles, according to their pre-TRA86 average dividend payout ratios, Papaioannou and Savarese (1994) find evidence of significant changes in dividend payout ratios following the TRA of 1986.

As for Canada, to the best of our knowledge, only two studies have investigated the impact of tax on corporate dividend policy: Khoury and Smith (1977), and Adjaoud and Zeghal (1993). Khoury and Smith (1977) use Lintner's (1956) model to test the effect of the Canadian Tax Reform of 1972 on dividend payout. Using a random sample of 145 firms over the period 1962 to 1973, the authors report that the introduction of capital gain tax on 1972 (TR72) induce an increase in dividend payout of Canadian

firms. It is noteworthy that the findings of Khoury and Smith (1977) should be tempered by the limitation of the asymmetry between the length of the pre-TR and post-TR periods. Due to lack of data, the authors use two years for the pre-TR period (1972 and 1973), while ten years are used for the post-TR72 period (1962 to 1971.)

Finally, Adjaoud and Zeghal (1993) follow the same methodology as of Papaioannou and Savarese (1994) to examine the impact of the introduction of the \$500,000 capital gains exemption on 1985 on dividend policy in a sample of 158 firms over the period 1982-1987. The authors find that the introduction of the 1985-capital gains exemption influenced Canadian firms to lower their dividend payout.

4. Research Methodology and Data

a. Research Methodology

Considered too generous, the \$500,000 capital gains exemption was first reduced to \$100,000 in 1987 and then eliminated in 1994. These two events provide natural experiments for examining the relationship between taxation and dividend policy. To investigate the impact of these tax changes on corporate dividend policy, we employ univariate and multivariate analyses. In the univariate analysis, we use a parametric test (t-test) to examine the statistical significance of difference between the averages dividend payout before and after each event. For each event, we apply a two-tailed test of the null hypothesis that the mean of the pair-wise differences over the pre and post-event is equal to 0 against the alternative hypothesis that this mean is greater than zero. In the multivariate analysis, we estimate the following model:

$$DPY_{i,t} = C_0 + C_1 EPS_{i,t} + C_2 DPY_{i,t-1} + C_3 D87 + C_4 D94 + e_t \quad (1)$$

where $DPY_{i,t}$ is the average payout ratio of firm i on year t , EPS is the earning per share, $DPY_{i,t-1}$ is the lag value of the average payout ratio, $D87$ is a dummy variable that equals 1 after 1987 and 0 otherwise, $D94$ is a dummy variable that equals 1 after 1994 and 0 otherwise, C_0 is a constant term and e_t is a random error term. It is noteworthy that the variable $DPY_{i,t}$ captures the effect of omitted variables that could influence a firm's dividend variable, such as growth opportunity and leverage.

We expect both the reduction and the elimination of the \$500,000 capital gains exemption to have a positive impact on the demand for dividends. In dividend clientele framework, we expect Canadian companies to react by increasing their dividend payouts. This hypothesis is tested by estimating Equation (1) and examining the coefficients of $D87$ and $D94$. A positive and statically significant coefficient will support our expectations. It should be noted however, that since the two tax events are different, we do not expect the same intensity of reaction from Canadian firms.

⁸ The method used by Means, Charoenwong, and Kang (1992) suffers from a major shortcoming. In fact, dividend yields with an upward trend could be the cause of a stable dividend while the price is decreasing.

⁹ The sample is comprised of 243 industrial firms drawn from FORTUNE 500 and 40 utility firms drawn from FORTUNE 50.

As discussed above, the extant theoretical and empirical studies make a direct link between ownership structure and dividend policy. Under the agency model framework, dividends are paid to mitigate agency problems between managers and owners. But the payout level and the extent to which a firm is responsive to its shareholders' interest depend on, among other factors, ownership structure (dispersed or highly concentrated) and the level of separation between ownership and control (which is usually used as a proxy for likelihood of expropriation by excess control). To control for the ownership and control effect, we introduce a variable ("CONTROL") measuring the level of control concentration in Equation 1 using "control-block" a measure provided in Stock-Guide. The term "control-block" is defined as "the percentage of votes attached to the voting shares of a company held by the directors of the company and by other individuals or companies that own more than 10% of the equity shares of the company, and/or exercise control over more than 10% of all voting rights" (Stock-Guide).

The control variable in our sample are of year 2002. We assume that ownership and control structure remain constant over the period of study. The assumption that ownership and control structures are constant is not overly restrictive. Shleifer and Vishny (1997) show that, in many countries, firms' controlling shareholders change little over time. La Porta et al. (1999) add that "ownership patterns tend to be relatively stable" (p. 475).

b. Data

Our initial sample is comprised of all the companies listed on the Toronto Stock Exchange (TSX) that have distributed dividends over the period 1985 to 2004. Companies that never paid dividends are excluded. More precisely, we exclude the firms that did not pay dividends while they had positive net profits. We also exclude companies with negative dividend payout. The data on dividends, earnings per share and control are available from Stock-Guide database. As Table 1 indicates, our final sample is comprised of 3,189 firm-year observations. Table 1 provides also descriptive statistics of our dependent variable (i.e. dividend payout) as well as the explanatory variables (i.e. earnings per share and Control variable).

5. Results

In the univariate analysis, we test for differences between dividend payout ratios of the pre- and post-reduction (1987) and elimination (1995) of 1985 Tax reform. Table 2 reports test results for the univariate analysis. First, let us look at the results from raw 1 and raw 2 to see whether the reduction in 1987 of capital gains exemption from \$500,000 to \$100,000 had had any impact on dividend policy of Canadian firms. Recall that we expect that the

Canadian firms have increased their dividend payout following this reduction. When we compare the average dividend payout a year before and a year after the event, the t-test shows that although we report an increase of the average dividend payout from 1986 to 1988, it is insignificantly different from zero. However, when we examine the dividend payout over two years before and two years after the event, the results become statistically significant at 5% level. This could be explained by the sticky nature of corporate dividend policy (see Lintner 1956 – companies strive to keep a steady dividend policy and adjust it gradually overtime). Hence, the upward trend of dividend payout around the 1987 event is better observed over a longer interval period. Now if we consider the event on 1994, where the exemption was eliminated, the results show that this event did not prompt firms to increase their dividend payout. This observation holds when we examine dividend payouts a year as well as two years around the event.

Table 3 presents the results of the multivariate analysis. First we observe that results for coefficient $DPY_{i,t}$ and EPS are as expected, and this hold for the two model specifications. In particular, and inline with the dividend stickiness phenomenon, the coefficient of $DPY_{i,t}$ is positive and significantly different from zero (p-value = 0.000).

Now, let us take a closer look at model 1 described in Equation (1). The coefficient of D87 is positive and significant at 10% only, meaning that the reduction of capital gains exemption from \$500,000 to \$100,000 was barely enough to boost the average dividend payouts. The elimination of the capital gains exemption in 1994, however, had a much higher impact in motivating Canadian firms to increase their level of dividend payouts. Indeed, the coefficient of D94 is more than the double of D87 and is statistically significant at 1%. One may question why a reduction of \$400,000 (i.e. from \$500,000 to \$100,000) had a much smaller influence on level of dividend payout than a reduction of \$100,000 (i.e. from \$100,000 to \$0). We argue that the first reduction, although a large one, might have influenced only few firms, in particular highly profitable firms distributing large dividends. In fact, this argument is inline with Canadian Agency Revenue reducing the amount of the exemption, considering it too large. The elimination of the \$100,000 remaining capital gains exemption had influenced, however, most Canadian dividend-paying firms.

We control for voting right effect in Model 2 by introducing the variable "CONTROL" as measured in Stock-Guide database. The estimation results are presented in columns 3 and 4. First, note that coefficient of D87 is no longer significant as in Model 1. This supports the view that the event of 1987 had a weak, if any, impact on dividend payout policy of Canadian firms. In contrast, the coefficient of D97 is significant at 1% level. Second, the coefficient of the variable "CONTROL" is negative and significant at 5% level which means that firms with high control

concentration tend to reduce the level of dividend payout. The negative sign of "CONTROL*D94" coefficient (p-value=0.000) suggests that this behaviour is maintained even after 1994. These results are inline with the view that the high the level of control structure, the high is the likelihood of expropriation of minority shareholders.

6. Conclusion

Even though corporate dividend policies have been subject to intense theoretical and empirical investigation for over fifty years, it still has many questions and issues that remain unresolved. One of these questions is to see whether there is a relationship between taxation and corporate dividend policy. This issue continues to be controversial in the dividend policy theory. While some studies argue that tax has strong impact on corporate dividend policy, others indicate that taxation has a small effect, if any. The present paper takes advantage of two important changes in the taxation of capital gains to examine the interaction between taxation and corporate dividend policy. Our empirical results suggest that, in average, Canadian firms did increase their dividend payout after the reduction of capital gains exemption in 1987; however, they did so more significantly when the remaining \$100,000 capital gains exemption in 1994 was eliminated. Moreover, we find that firms with high level of control concentration tend to pay fewer dividends. These findings suggest several important conclusions concerning the nature of the relationship between taxation and corporate dividend policy. First, taxation has an impact on corporate dividend policy. Second, the dividend policy adjustment of the firms following the changes in the tax reform proves the existence of a dividend clientele.

Additional studies are needed to further explore the nature of relationship between taxation and corporate dividend behavior. Researchers should pay a particular attention to influence of ultimate ownership structure, identify of ultimate owners and quality of corporate governance.

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Appendices

Table 1
Descriptive statistics

	DIV-PAYOUT	EPS	CONTROL
N obs.	3189	3189	3178
Minimum	7.51	0.01	0
Maximum	298.75	32.80	100
Median	36.24	0.77	48.50
Mean	56.85	1.13	43.04
St-Dev	53.86	1.61	32.03

Table 2

Univariate Analysis: Comparing average dividend-payout ratios
around change in taxations

Dividend Payout (DP)	Mean difference	t-stat
DP1988 vs. DP1986	22.519	1.300
DP1988-89 vs. DP1985-86	27.897	2.041 **
DP1995 vs. DP1993	-23.958	-1.238
DP1995-96 vs. DP1992-93	-13.898	-0.968

*, **, *** Significantly different from zero at the 10%, 5%, and 1% level, respectively.

Table 3

Multivariate analysis of the impact of taxation on dividend policy.

This table presents the estimates for different versions of the following model:

$$DPY_{i,t} = C_0 + C_1 EPS_{i,t} + C_2 DPY_{i,t-1} + C_3 D87 + C_4 D94 + \epsilon_t$$

where $DPY_{i,t}$ is the average payout ratio of firm i on year t , EPS is the earning per share, $DPY_{i,t-1}$ is the lag value of the average payout ratio, $D87$ is a dummy variable that equals 1 after 1987 and 0 otherwise, $D94$ is a dummy variable that equals 1 after 1994 and 0 otherwise, C_0 is a constant term and ϵ_t is a random error term.

Parameter	Model 1		Model 2	
	Estimate	p-value	Estimate	p-value
1 C_0	39.559	0.000***	49.66	0.000***
2 $DPY_{i,t-1}$	0.151	0.000***	0.138	0.000***
3 EPS	-5.424	0.000***	-6.258	0.000***
4 $D87$	5.283	0.064*	3.814	0.500
5 $D94$	11.167	0.000***	20.342	0.000***
control			-0.171	0.027**
control * $D87$			0.02	0.829
control* $D94$			-0.235	0.000***
F stat	114.88	0.000***	85.55	0.000***
R-adj	0.15		0.18	
N	2630		2621	

*, **, *** Significantly different from zero at the 10%, 5%, and 1% level, respectively.