



**University of
Zurich^{UZH}**

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Master's Thesis

The Effect of the ACE Tax Reform on Banks' Capital Structure

An Example from Austria

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Abstract

This thesis will study the effect of the Allowance for Corporate Equity (ACE) tax reform on banks' capital structure. The specific reform will be the Austrian ACE applied between 2000 and 2004. Using a difference-in-difference approach, this thesis will attempt to ascertain whether the change in banks' capital structure during the treatment period was caused by the tax reform. It will be shown that the ACE had no significant effect on banks' capital structure and that other variables were the main drivers for the change. The thesis will further attempt to discuss in general how an ACE can be used to impact capital structure.

Keywords: ACE, capital structure, leverage, bank regulation