

Roland Königsgruber's Habilitation



CAR's Roland Königsgruber successfully finished his 'Habilitation', a post-doctoral qualification typical of the Germanic academic system that is the "entry card" for associate and full professor positions. He

submitted a collection of published papers addressing issues of political and economic antecedents and consequences of accounting regulation. In May he presented an overview of his findings in the colloquium required for the Habilitation to the members of the Habilitation Committee and the public. We congratulate Roland for this great achievement in his career.

Using Academic Research for Post-Implementation Review

In an article published in *Abacus*, "Using Academic Research for the Post-Implementation Review of Accounting Standards: A Note", CAR's Ralf Ewert and Alfred Wagenhofer contribute to the international standard setting process, in particular the post-implementation review (PIR) that both the IASB and the FASB currently develop. They argue that academics can, and should, play a significant role in a PIR. Further, they suggest a framework for empirical studies that are useful in a post-implementation review, which enhances understandability of accounting research by standard setters. And they propose a process by which standard setters can take advantage of and embed research in a PIR.

Asymmetric Taxation, Limited Liability and Optimal Risk Taking

A new paper published in *FinanzArchiv* - "Limited Liability, Asymmetric Taxation, and Risk Taking - Why Partial Tax Neutralities Can Be Harmful" - written by CAR's Ralf Ewert and Rainer Niemann, examines the combined effects of asymmetric taxation and limited liability on optimal risk taking of investors. Ewert and Niemann develop a model where, given an optimal risk level in the no-tax case under full liability, loss-offset restrictions reduce, and limited liability increases, the incentives for taking risk. For every degree of

limited liability, they find corresponding loss-offset limitations inducing the same optimal risk level as in the reference case. In this setting, full liability requires symmetric taxation, and limited liability requires asymmetric taxation of profits and losses. Tax effects under risk aversion are similar to those under risk neutrality.

Capital Gains Taxation and Fund Investment

The 2011 Budgetbegleitgesetz fundamentally reformed the tax rules regarding capital gains taxation in Austria. The tax law changes apply, among others, to the treatment of investment funds. Insurance contracts are still exempt from capital gains taxation, as they are considered to cover specific risks and are not taken to be a source of income. In a recent paper published in *Österreichisches Bankarchiv* - "Vergleichende Analyse von Fondsdirektinvestments mit fondsgebundenen Lebensversicherungen" - CAR's Andrea Gauper, Roland Mestel (Institute of Banking and Finance - IBF), and Stefan Palan (IBF) compare the performance of direct investments into investment funds with a fund-linked life insurance investment under the new tax regulation. The results show that fund-linked insurance contracts profit from this preferred tax treatment and can constitute an interesting alternative to a direct investment in an investment fund.

Profitability of a Supplementary Insurance in Austria

Nearly three million people in Austria might benefit from the option of a supplementary insurance within the public pension system. In a recent article published in *Steuer- und WirtschaftsKartei* - "Für wen lohnt sich die Höherversicherung?" - CAR's Rainer Niemann and Peter Krenn (Institute of Accounting and Taxation) investigate the effect of voluntary payments to this kind of insurance as a long-term investment. By using the net present value method they analyze the personal expectation of life, interest rates and yearly increase rates of the pension, which could lead to a profitability of a single payment. The paper shows that in some cases the advantage from a voluntary contribution can be extraordinary high and that taxation has a strong positive effect on the NPV of a supplementary insurance.

CAR Papers at the Annual EAA Meeting



Six CAR authors presented their working papers at the annual meeting of the European Accounting Association in May at the University of Ljubljana.

Andrea Gauper presented her empirical paper “Effects of Austrian Group Taxation on Domestic Holding Structures”. She analyzes whether the Austrian Tax Reform Act 2005 - which lowered the requirements to establish a tax group - induced a change in domestic corporate holding structures. By means of regression analyses, Gauper shows that the proportion of corporate holdings eligible for group taxation increases by 47.6% after the reform.

Roland Königsgruber presented an analytical paper, entitled “Information Acquisition and Disclosure by Firms in the Presence of Additional Available Information”, authored jointly with Anna Boisits from the DART program. The paper analyzes the interaction of decisions to acquire information and to subsequently disclose it to a capital market, which also uses additional sources of information. They show the existence of a ‘countersignaling’ equilibrium where the best firms refrain from acquiring information and only average firms incur costs to obtain it.

Jens Müller presented “Tax Loss Carryforward Disclosure and Uncertainty”, jointly written with Vanessa Flagmeier from the University of Paderborn. The paper investigates whether companies voluntarily disclose additional information about tax loss carryforwards when their recoverability is more uncertain. The analysis is based on a sample of German hand-collected data from notes of IFRS financial statements. Müller and Flagmeier find that companies that are exhibited to greater ex-ante uncertainty voluntarily disclose more useful information regarding the future usability of tax loss carryforwards.

Rainer Niemann presented his analytical paper “Asymmetric Taxation and Performance-Based Incentive Contracts”. The paper develops a model to examine the effects of symmetric and asymmetric taxation on performance-based versus fixed remuneration contracts. Niemann shows that the wage tax increases the remuneration costs and makes the agent’s employment less attractive; thus, the principal tends to demand lower rather than higher effort or does not offer a contract at all. In contrast to the wage tax, it is shown that the corporate tax is irrelevant for the optimal remuneration contract. Under asymmetric corporate taxation, the principal tends to offer contracts less frequently. Furthermore, fixed remuneration contracts are penalized more heavily by asymmetric taxation than performance-based remuneration contracts.

Pietro Perotti presented an empirical paper, co-authored with Alfred Wagenhofer, “Earnings Quality Measures and Excess Returns”. The paper examines the hedge returns that can be obtained by trading on a set of commonly used earnings quality measures. Perotti and Wagenhofer argue that hedge returns can be used as a proxy of the information content of the earnings quality measures. They find that significantly positive hedge returns can be earned by trading on accruals based (discretionary accruals and accruals quality) and on market based (founded on the returns-earnings regression) earnings quality measures.

Silke Rüniger presented her paper “The Influence of Shareholder Taxation on Corporate Ownership - New Insights from a Panel of European Listed Companies”. She analyzes the influence of shareholder taxation on corporate ownership for over 4.000 firms in 21 European countries over the time period 2001-2008. The results show that the size of the combined holding of non-financial corporate shareholders is not substantially driven by tax reasons. On the contrary, results for financial shareholders show that several tax factors have a significant influence on the size of the combined holding, among them the taxation of intercorporate dividends. Individual shareholders are found to have the highest level of tax sensitivity among the groups analyzed.



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