

**The Research Centre of the Faculty of Economics**  
cordially invites you to a research seminar  
on **Wednesday, 9<sup>th</sup> March 2016 at 1 p.m. in P-216** at the **Faculty of Economics, University of Ljubljana**

Author: **Dr. Ignacio García de Olalla, Associate Professor,**  
**Department of Accounting, Auditing and Business Analytics,**  
**BI Norwegian Business School**

will present the article:

**"The Effect of Trust on Taxation Arbitrage"**

“The dual income tax system, common in the Nordic countries from the early 90s, has been shown to provide a taxation arbitrage opportunity for medium and high income self-employed individuals, and for active owners of closely-held corporations. These individuals can reclassify their wages as capital income and distribute them in form of dividends, thereby minimizing tax paid on labor. In this paper, I show that high levels of trust in a region had a moderating effect on the dividend payout of Norwegian closely-held firms located in that region, in the period when dividends were exempt from taxes. The effect disappears on data after a taxation reform in 2006. To achieve these results, I use a unique database of high quality accounting information for Norwegian private companies. I argue that high levels of trust cause firm owners to be less inclined to engage in tax-arbitrage behaviors because they trust their tax money is being put to proper use. I also suggest that in communities where there are higher levels of trust and sociability, i.e., tighter communities, deviations from what is normative considered good citizenship are costlier for the deviant than in communities with lower levels of trust and sociability”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:  
[research.seminars@ef.uni-lj.si](mailto:research.seminars@ef.uni-lj.si) by Tuesday, 8<sup>th</sup> March 2016.

**We look forward to seeing you!**