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Volume Title: The Taxation of Income from Capital: A Comparative Study of the United States, the United Kingdom, Sweden, and Germany

Volume Author/Editor: Mervyn A. King and Don Fullerton, eds.

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-43630-6

Volume URL: <http://www.nber.org/books/king84-1>

Publication Date: 1984

Chapter Title: Appendix A, Standard Input Parameters for All Four Countries

Chapter Author: Mervyn A. King, Don Fullerton

Chapter URL: <http://www.nber.org/chapters/c11502>

Chapter pages in book: (p. 313 - 317)

Appendix A

Standard Input Parameters for All Four Countries

Table A1 **Specific Tax and Inventory Parameters**

	United Kingdom	Sweden	West Germany	United States
τ	0.5200	0.349 ^a	0.6200	0.4950
θ	1.4290	1.0000	2.2727	1.0000
π	0.1357	0.0940	0.0420	0.0677
ν	0.0	1.0000	0.5000	0.0
Wealth tax rates (w_c)				
Machinery	0.0	0.0	0.0096	0.00768
Buildings	0.0246	0.0	0.0029	0.01126
Inventories	0.0	0.0	0.0096	0.00768

^aEstimated at 9.4 percent inflation. See Swedish chapter, section 4.2.5.

Table A2 Tax Parameters, by Source of Finance

	United Kingdom			Sweden			West Germany			United States		
	Debt	New Shares	Retained Earnings	Debt	New Shares	Retained Earnings	Debt	New Shares	Retained Earnings	Debt	New Shares	Retained Earnings
Personal wealth tax rates (w_p)												
Households	0.0	0.0	0.0	0.006	0.017	0.017	0.005	0.005	0.005	0.0	0.0	0.0
Tax-exempt institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance companies	0.0	0.0	0.0	0.0	0.0	0.0	0.007	0.007	0.007	0.0	0.0	0.0
Tax rates on interest (m)												
Households	0.3055	0.4500	0.4500	0.492	0.640	0.640	0.398	0.480	0.480	0.284	0.475	0.475
Tax-exempt institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.400	0.400	0.0	0.0	0.0
Insurance companies	0.2328	0.1765	0.1765	(.105 + 1.94 π)	(.106 + 1.36 π)	(.106 + 1.36 π)	0.028	0.028	0.028	(.149 + 3.88 π)	0.069	0.069
Tax rate on capital gains (z_s)												
Households	0.2832	0.2832	0.2832	0.26	0.26	0.26	0.0	0.0	0.0	0.14	0.14	0.14
Tax-exempt institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance companies	0.1765	0.1765	0.1765	(.05 + 1.5 π)	(.05 + 1.5 π)	(.05 + 1.5 π)	0.0	0.0	0.0	0.28	0.28	0.28

Table A3 (Continued)

	United Kingdom			Sweden			West Germany			United States		
	Manufac- turing	Other Industry	Com- merce	Manufac- turing	Other Industry	Com- merce	Manufac- turing	Other Industry	Com- merce	Manufac- turing	Other Industry	Com- merce
Type of depreciation ^a												
Machinery	0	0	0	0	0	0	2	2	2	4	4	4
Buildings	1	1	1	3	3	3	1	1	1	4	4	4
Inventories	0	0	0	0	0	0	0	0	0	0	0	0
Exponential tax depreciation rate (a)												
Machinery	—	—	—	0.3	0.3	0.3	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—	—	—	—	—	—
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proportion with investment grant (f ₅)												
Machinery	0.323	0.004	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Buildings	0.821	0.007	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Inventories	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Rate of investment grant (g)												
Machinery	0.1946	0.1946	0.0	0.114	0.114	0.114	0.021	0.007	0.007	0.0959	0.0902	0.0857
Buildings	0.1476	0.1476	0.0	0.057	0.057	0.057	0.021	0.007	0.007	0.0	0.0978	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^aKey: 0 = exponential; 1 = straight-line; 2 = declining balance/straight-line; 3 = straight-line with extra 2 percent for five years; 4 = United States only (see United States chapter).

Table A4 Weights

	United Kingdom			Sweden			West Germany			United States		
	Manu- facturing	Other Industry	Com- merce	Manu- facturing	Other Industry	Com- merce	Manu- facturing	Other Industry	Com- merce	Manu- facturing	Other Industry	Com- merce
<i>Proportion of capital stock</i>												
Machinery	0.298	0.090	0.080	0.2635	0.0253	0.0345	0.3648	0.0243	0.0281	0.0867	0.0965	0.0415
Buildings	0.171	0.022	0.139	0.2127	0.0662	0.0620	0.2069	0.0266	0.0641	0.2167	0.1970	0.1248
Inventories	0.135	0.005	0.060	0.1496	0.0957	0.0905	0.2378	0.0060	0.0414	0.1350	0.0176	0.0842
<i>Proportion by source of finance</i>												
Debt	0.193	0.193	0.193	0.405	0.812	0.625	0.4354	0.3123	0.4956	0.1981	0.4847	0.3995
New share issues	0.044	0.044	0.044	0.024	0.009	0.018	0.0491	0.0599	0.0439	0.0592	0.0381	0.0443
Retained earnings	0.763	0.763	0.763	0.571	0.179	0.357	0.5155	0.6278	0.4605	0.7427	0.4772	0.5562
<i>Ownership shares</i>												
Debt												
Households	0.718	0.718	0.718	0.252	0.750	0.482	0.543	0.543	0.543	0.6094	0.6094	0.6094
Tax-exempt institutions	0.137	0.137	0.137	0.672	0.199	0.476	0.336	0.336	0.336	0.2371	0.2371	0.2371
Insurance companies	0.145	0.145	0.145	0.076	0.051	0.042	0.121	0.121	0.121	0.1534	0.1534	0.1534
New shares												
Households	0.435	0.435	0.435	0.604	0.604	0.604	0.758	0.617	0.751	0.7433	0.7433	0.7433
Tax-exempt institutions	0.407	0.407	0.407	0.302	0.302	0.302	0.186	0.298	0.189	0.2154	0.2154	0.2154
Insurance companies	0.157	0.157	0.157	0.094	0.094	0.094	0.056	0.085	0.060	0.0412	0.0412	0.0412
Retained earnings												
Households	0.435	0.435	0.435	0.604	0.604	0.604	0.758	0.617	0.751	0.7433	0.7433	0.7433
Tax-exempt institutions	0.407	0.407	0.407	0.302	0.302	0.302	0.186	0.298	0.189	0.2154	0.2154	0.2154
Insurance companies	0.157	0.157	0.157	0.094	0.094	0.094	0.056	0.085	0.060	0.0412	0.0412	0.0412