This glossary includes notation defined in chapter 2 and used throughout the book. Notation that is specific to one country and used in a limited context is defined at the point where it is used.

**A** Present discounted value of tax savings from depreciation allowances and other grants associated with a unit investment.

**A_d** Present discounted value of tax savings from standard depreciation allowances associated with a unit investment.

**A_z** Present discounted value of depreciation allowances associated with a unit investment ($A_d = \tau A_z$).

**a** Rate of tax depreciation on exponential basis.

**a'** Rate of exponential tax depreciation before switch ($= B/L$).

**B** Declining balance rate ($= 2$ for double declining balance).

**b** Proportion of funds allocated to investment funds that must be deposited in Central Bank (Sweden).

**b(n)** Value age profile of an asset (Sweden).

**C** Effective cost of an asset.

**c_d** Tax on distributed profits (Germany).

**c_u** Tax on undistributed profits (Germany).

**D** An annual amount of economic depreciation (Sweden).

**d(n)** Average age of retirement of machines (Sweden).

**d_1** Dummy equals unity if corporate wealth taxes deductible from corporate income tax base; zero otherwise.

**d_2** Dummy equals unity if asset is inventories; zero otherwise.

**f(n)** Fraction of value of asset retained after $n$ years (Sweden).

**f_1** Proportion of cost of asset entitled to standard depreciation allowances.

**f_2** Proportion of cost of asset entitled to immediate expensing.

**f_3** Proportion of cost of asset entitled to cash grant.
G  Total gross dividends paid.
g  Rate of cash investment grant.
H  Multiplicative coefficient (Hebesatz) for local business tax (Gewerbesteuer) (Germany).
i  Nominal interest rate.
K  Net capital stock (Sweden).
k  Index for project combination.
L  Asset life.
\( L_s \)  Time of the asset’s life for an optimal switch of depreciation method.
l  Proportion of profits that may be allocated to the investment fund (Sweden).
M  Base rate (Messzahl) for local business tax rate (Germany).
MRR  Gross marginal rate of return on a project.
m  Marginal personal tax rate.
\( m^{SB} \)  Hypothetical tax rate where no initial tax credit is given (Sweden).
\( m^{SF} \)  Equivalent tax rate (Sweden).
N  Number of machines originally in a cohort of assets (Sweden).
n  Period of fiscal depreciation (Sweden).
p  Pretax real rate of return on a project.
\( \bar{p} \)  Mean of p.
q  Ratio of market value to replacement cost (Tobin’s q).
r  Real interest rate.
S(u)  Survivor curve for capital assets (Sweden).
s  Posttax real rate of return to the saver.
T  Total tax liability.
t  Marginal tax rate (w/p).
\( \bar{T} \)  Average marginal tax rate (\( \bar{w}/\bar{p} \)).
t_e  Marginal tax rate on tax-exclusive basis (w/s).
u  Index for time.
V  Present discounted value of profits of a project.
v  Proportion of inventories taxed on historical cost principles.
w  Tax wedge (p - s).
\( \bar{w} \)  Mean of w.
w_c  Rate of corporate wealth tax.
w_p  Rate of personal wealth tax.
Y  Corporate taxable income.
z  Effective accrued tax rate on capital gains.
\( z_s \)  Statutory rate of capital gains tax.
\( z_{SF} \)  Equivalent tax rate on capital gains (Sweden).
\( \alpha_k \)  Proportion of net capital stock attributable to kth combination of asset, industry, source of finance, and owner.
\( \beta \)  Growth rate in value of shares held by investment fund (Sweden).
Glossary of Notation

\(\gamma\)  Implied deduction against tax base of insurance company (Sweden).
\(\delta\)  Rate of exponential depreciation.
\(\theta\)  Opportunity cost of retained earnings in terms of gross dividends forgone.
\(\lambda\)  Proportion of accrued gains realized by investors in each period.
\(\mu\)  Dividend yield of investment fund portfolio (Sweden).
\(\pi\)  Rate of inflation.
\(\rho\)  Rate at which firm discounts net of tax cash flows.
\(\rho_p\)  Investor’s nominal discount rate.
\(\tau\)  Rate of corporation tax.
\(\tau_L\)  Tax-inclusive effective local business tax rate (Germany).
\(\tau_e\)  Effective tax rate on insurance company (Sweden).
\(\tau_s\)  Statutory corporate tax rate (Sweden).