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Glossary of Notation

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.

$z_s SF$ Equivalent tax rate on capital gains (Sweden).

α_k Proportion of net capital stock attributable to kth combination of asset, industry, source of finance, and owner.

β Growth rate in value of shares held by investment fund (Sweden).

γ	Implied deduction against tax base of insurance company (Sweden).
δ	Rate of exponential depreciation.
θ	Opportunity cost of retained earnings in terms of gross dividends forgone.
λ	Proportion of accrued gains realized by investors in each period.
μ	Dividend yield of investment fund portfolio (Sweden).
π	Rate of inflation.
ρ	Rate at which firm discounts net of tax cash flows.
ρ_p	Investor's nominal discount rate.
τ	Rate of corporation tax.
τ_L	Tax-inclusive effective local business tax rate (Germany).
τ_e	Effective tax rate on insurance company (Sweden).
τ_s	Statutory corporate tax rate (Sweden).