The Effect of Taxes on Corporate Activity and Their Revision, with Reference to the Trade-off and Pecking Order Hypotheses

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For the difference in the taxation for equity and debt, there is the issue of debt bias which is influenced by taxation in finance, dividend, and re-organization. As a solution, the integration of income tax and corporation tax is suggested. However, it is said that the influence of taxation on the finance is secondary to the trade off hypothesis and the evidence. Therefore, any remedy should choose the current reducing distortions in the direction of the dividend policy rather than integration that may undermine the basic corporation tax structure of the taxable gain.