## **Table of Contents**

1	Dual Income Tax: Supporting Arguments and Design - An Overview 1				
	1.1 In S	Support of Dual Income Tax	1		
	1.1.1	Objectives and Constraints for Reforming Business Taxes			
	1.1.2	Reform Options: Comprehensive or Dual Income Tax?	4		
	1.1.3	On the Criticisms of Dual Income Tax	9		
	1.2 Prir	nciples of Dual Income Tax	11		
	1.2.1	Basic Definitions, Types of Income and Tax Rates	12		
	1.2.2	Taxing Corporations and Partnerships	19		
	1.2.3	Neutrality Aspects and Room to Maneuver	24		
	1.3 Quantitative Analysis				
	1.3.1	The Cost of Capital and Effective Average Tax Burdens	29		
	1.3.2	Effects on Tax Revenues and on Macro-Economic Variables	37		
2	Taxing C	Corporations and Their Shareholders	43		
		ing Corporations			
	2.2 Tax	ing Shareholders	45		
	2.2.1	Preferential Tax Treatment for Return on Equity Capital and			
		Regular Taxation.	45		
	2.2.2	Putting Capital Gains and Dividends on an Equal Footing	47		
	2.2.3	Assessing the Standard Rate of Return	48		
	2.2.4	Return on Equity Capital – Should It Apply to the Corporation			
		or the Shareholders?	50		
	2.2.5	Establishing and Extrapolating the Initial Value of Shares and			
		Determining the Return Allowance	56		
	2.2.6	Treating Losses on Disposing of Shares in Corporations			
		(Capital Losses)	61		
	2.3 Con	stracts Between Corporations and Shareholders	63		
	2.3.1	Assessing the Adequacy of Performance and Consideration	63		
	2.3.2	Debt Finance	66		
	2.3.3	Structures to Increase the Return Base	67		
3	Taxing T	ransparent Entities	73		
		nsparent Taxation Rather than Assimilation to Corporations			
		The Conventional Differentiation Between Transparent			
		Entities and Corporations	73		



3.4 Deduction of Liabilities (and Debt Interest)90					
3.4.1 The 'Gross Method' vs. the 'Net Method'96					
3.4.2 Gross Method					
3.4.3 Net Method101					
3.4.4 Leeway for Creative Accounting102					
3.5 Interest Rates					
3.6 Taxing Extraordinary Transactions107					
3.7 The Tax Rates					
4 Individual Aspects of Dual Income Tax111					
4.1 Taxing Changes of Legal Form					
4.1.1 Introductory Remarks					
4.1.2 Carrying over Standard Return on Equity Capital and Return					
Allowance					
4.1.3 Removing More Obstacles to Conversion					
4.2 Rent and Lease					
4.3 Re-Organising 'Other Income' (§ 22 ITA)					
4.4 Levying Tax on Capital Income					
4.4.1 Benefits of Uniform Taxation of Capital Income					
4.4.2 Final Withholding Tax with Assessment Option					
4.4.3 Determining and Levying Tax					
4.5 Dealing with Losses					
4.5.1 Background Conditions					
4.5.2 Setting Off Losses when Calculating Income					
4.5.3 Setting Off Losses Horizontally					
4.5.4 Setting Off Losses Vertically					
4.5.5 Setting Off Losses Between Periods (Deducting Losses)					
4.6 Dealing with Trade Tax, Assuming It Is Retained					
List of Figures					
List of Tables					

List of Abbreviations		143

References .......145

Table of Contents XI