



# FINANCE RESEARCH SEMINAR

## “Shareholder illiquidity and firm behavior: Financial and real effects of the personal wealth tax in private firms”

Janis Berzins - BI Norwegian Business School

Thursday, September 5th, 2019 – 14:00 – 15:30

**Abstract:**

We examine how negative liquidity shocks to shareholders propagate to firms. Analyzing regulatory shocks to personal wealth taxation in Norway, we show that higher taxes on the home of a private firm’s controlling shareholder are associated with higher dividend and salary payments from the firm to the shareholder, lower cash holdings in the firm, and lower firm growth. A one percentage-point increase in the shareholder’s wealth-tax-to-liquid-assets ratio is on average followed by a half percentage-point increase in the dividends-to-earnings ratio and a half percentage-point decrease in sales growth. These findings suggest that shareholder illiquidity has causal effects on firm behavior.

**Authors:** Janis Berzins, Øyvind Bøhren, Bogdan Stacescu - BI Norwegian Business School