Foreword

Special Issue: Taxing Dividends in the Nordics – Challenges and Opportunities

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This special issue stems from the need to better understand the effects and institutional frameworks of dividend taxation, with a particular focus on the Nordic countries, where dividend tax systems vary significantly.

Dividend taxation is crucial, as dividends represent one of the main forms of capital income taxation at the individual level. A substantial share of capital income is earned through dividends, and taxing them can also play a role in reducing inequality, given that dividend income is more unequally distributed than many other forms of income.

A traditional concern in the dividend tax literature is that such taxes may depress investments. Despite an extensive theoretical literature, empirical evidence on the investment effects of dividend taxation remains surprisingly limited. The few available empirical studies generally suggest that the impacts of dividend taxes on investment are relatively modest. However, these studies usually indicate that dividend taxation significantly influences firm-level dividend payouts and tax planning strategies, either through anticipatory responses to tax changes or through income shifting across tax bases.

Empirical research on dividend taxation in the Nordics remains scarce. This is surprising given the high-quality register data available and the considerable variation in dividend tax systems both over time and across countries.

Legal scholars have, on the other hand, engaged more actively in the subject of dividend taxation, given its implications on tax planning. The shifting of income from the high-taxed employment and business income categories towards the more beneficial taxation of capital is an evergreen subject and often subject to legislative changes when attempting to close tax planning loopholes and strengthen equality and tax neutrality.

In the Nordics, the favorable tax treatment of dividends has regularly been scrutinized by lawmakers. Sweden is – once again – investigating the possibility of revising the so-called 3:12 rules that apply to the taxation of dividends from closely held or family-owned companies. As capital income – and thereby dividends – usually is taxed lower than employment income, these rules prevent family-owned companies from solely paying themselves through dividends instead of having to have the owners pay the higher employment income tax.

Unlike Sweden – where the tax rules are used as a tool for restricting the use of favourable dividend taxation – Norway has gone in another direction. The Norwegian rules differ from those in the other Nordic countries not only in its practical design but also in the basic considerations on which they are based. The differing ways in which dividends are taxed in the Nordics are explored in this special issue, and it contributes both theoretically and empirically to the study of dividend taxation. The issue takes a multidisciplinary approach, bridging economics and law. Most importantly, we hope to inspire further research on dividend taxation, encouraging scholars to leverage detailed data, institutional insights, and the latest empirical methods.

Guest Editors:
Jarkko Harju (Tampere University)
Yvette Lind (BI Norwegian Business School)