

| | |
|--------------------------------|--|
| Independent study title | TAX IMPACT ON CAPITAL STRUCTURE: EVIDENCE FROM THAI IPO |
| Author | Mr. Pattarapol Hanpatchaiyakul |
| Degree | Master of Science (Finance) |
| Major field/Faculty/University | Master of Science Program in Finance (International Program) Faculty of Commerce and Accountancy Thammasat University |
| Independent study advisor | Associate Professor Seksak Jumreornvong, Ph.D. |
| Academic year | 2017 |

ABSTRACT

This study intends to prove the application of trade-off theory which has income tax burden as a main benefit of using debt as known as ‘tax shield’. Thai IPOs during 2008-2016 are selected as a dataset of the study since they are younger firms with less historical effect. The study has gained empirical evidence from econometrics method to confirm the validity of trade-off theory through Thai IPO datasets. The empirical result show that the capital structure change during IPO year depend significantly on each firm’s effective tax rate. However, this study does not find the significant relationship between previous year effective tax rate and capital structure unlike the past studies. This empirical evidence supports the hypothesis that in IPO firms, it’s likely for firms with high tax to reduce less portion of leverage in IPO.

Keywords: tax, tax impact, capital structure, IPO, initial public offerings, Thailand, Thai IPO, trade-off theory