

College of Business Academic Seminar Series

Speaker



Tax Policy: The Effect on Hedge Fund Investment Behavior

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Description:

The purpose of this essay is to empirically analyze the effect of changes in tax regulations. We analyze the effect of the Tax Information Exchange Agreements (TIEAS) on hedge fund flows and indirectly on hedge fund manager and investor behavior in six tax haven countries. The results suggest that TIEAS caused structural changes in hedge fund net flow 20 months prior to the TIEAS signature date. Investors are aware that TIEAS will be signed before the actual signing date and act on this information. We also examine whether the hedge fund flow of the countries that signed TIEAS differed from the countries that did not sign TIEAS. The results show that although TIEAS causes structural changes in tax haven countries' hedge fund dollar flow and net flow, it is not enough to offset the other benefits of investing in these countries because both dollar flow and net flow of these countries increased after their structural break points. We conjecture that this is due to an amalgam of factors and that a different class of investors took the place of the investors that shifted their funds due to the regulatory changes.



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