

Mediating and Moderating Function of Corporate Governance on Firm Tax Planning and Firm Tax Disclosure Relationship

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Abstract : The purpose of this paper is to investigate the moderating and mediating effect of corporate governance mechanisms proxy on the relationship of tax planning measured by effective tax rate components and tax disclosure. This paper tested the hypotheses by a 3-step hierarchical regression with 2010 to 2012 Malaysian-listed nonfinancial firms. We found companies positively value tax-planning activities. This indicates that tax planning is seen as a source of companies' wealth creation as the results show that there is an association between the tax disclosure and the extent of tax planning, and this relationship is highly significant. Examination of the implications of corporate governance mechanisms on the tax disclosure-tax planning association showed the lack of a significant coefficient related to any of the interactive variables. This makes it hard to understand the nature of the association. Finally, we further study the sensitivity of the results, the outcomes were also examined for the robustness and strength of the model specification utilizing OLS-effect estimators and the absence of tax planning related factors (GRTH, LEVE, and CAPNT). The findings of these tests display there is no effect on the tax planning-tax disclosure association. The outcomes of the annual regressions test show that the panel regressions results differ over time because there is a time difference impact on the associations, and the different models are not completely proportionate as a whole. Moreover, our paper lends some support to recent theory on the importance of taxes to corporate governance by demonstrating how the agency costs of tax planning allow certain shareholders to benefit from firm activities at the expense of others.

Keywords : tax disclosure, tax planning, corporate governance, effective tax rate

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