

The Role of Tax Management Components in Creating Value or Increasing Risk of Tehran Stock Exchange Firms

Authors : Fereshteh Darash

Abstract : Reflective tax management corresponds to the Agency Theory since it determines the motivation of managers for tax management actions and short-term and long-term consequences. Therefore, selection of tax strategy contributes to the tax and financial position of the firm in the future. The aim of the present research is to evaluate the effect of tax management components on risk-taking of firms listed in Tehran stock exchange by using regression analysis method. Results show that tax effective rate, tax risk and tax planning have no significant effect on the firm's future risk. Results suggest that stakeholders assess the effective tax rate and delay in tax payment in line with their benefits. They tend to accept the higher risk cost for reduction of tax payments and benefits of higher liquidity in current period. Hence, effective tax rate and tax risk have no significant effect on future risk of the firm. Moreover, tax planning yields no information regarding the predictability of the future profits and as a result, it has no significant effect on the future risk of the firm since specific goals of financial reporting are in priority for the stakeholders and regardless of the firm's data analysis, they take investment decisions and they less intend to purchase the stocks in a rational manner.

Keywords : tax management, tax effective rate, tax risk, tax planning, firm risk

Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020